Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel IS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta145
Cyprus C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bt50
Germany DM2.20	Mexico Peso900	Tunisia Din0.800
Greece Dr129	Morocco Dh6.00	Turkey L400
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway NKr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,551 Tuesday May 31 1988 D 8523 A

Why no news can also be bad news, Page 23

World News

Zia vows to reintroduce Islamic policies

President Zia ul-Haq of Pakistan said he would reintroduce Islamic policies in a move aimed at boosting economic growth and spreading law and order.

The announcement followed his surprise dismissal on Sunday of the Prime Minister and the dissolution of the national assembly. Page 24

Car bomb kills 15 in east Beirut

A car bomb exploded near an office of the right-wing Falange party in Christian east Beirut, killing at least 15 people and injuring more than 60. The explosion wrecked four blocks of flats and seriously damaged another eight. Page 2

New Armenian protests

Mass demonstrations flared in the Soviet republic of Armenia, according to dissident sources in Moscow. They said that up to 300,000 had taken part in the protests over the disputed Azerbaijani region of Nagorno-Karabakh. No independent confirmation was available.

Swedish air-sea hunt

The Swedish navy exploded a mine and launched an air-sea hunt after reports that a foreign submarine had entered restricted waters around Stockholm.

Soviet planning surprise

A startling critique of the Soviet system of state planning was published in Pravda, revealing that top government leaders had considered dismantling the whole system. Page 4

Cuban 'provocation'

State-run South African radio said the deployment of Cuban troops in Angola close to the border with Namibia (South West Africa) was a provocation that could be designed to sabotage regional peace talks.

Sikh priests sacked

Sikh religious leaders in Punjab sacked all five high priests of the faith, accusing them of collusion with the Indian Government.

West Bank strike

Palestinians in the occupied West Bank and Arab East Jerusalem staged a commercial strike called by Arab leaders of the anti-Israeli uprising to draw attention to their cause during the superpower summit in Moscow. Page 2

China accuses Vietnam

China accused Vietnam of "deception" in announcing the planned withdrawal of 50,000 troops from Kampuchea and called for all Vietnamese troops to be withdrawn immediately. Page 6

New Caledonia pledge

France said its security forces were guilty of misconduct during a bloody assault to free 23 hostages from a cave in New Caledonia and promised that those reponsible would be severely punished.

Mahathir controversy

Controversy erupted in Malaysia after moves by Prime Minister Mahathir Mohamad to sack the head of the Malaysian judiciary for alleged political bias. Page 6

French poll pointer

The Socialist Party looked set to follow up the crushing re-election of President François Mitterrand by winning a big absolute majority victory in the French general elections. Page 3

Killer algae threat

A belt of killer algae that choked to death rich marine life off southern Scandinavia moved further up Norway's west coast, threatening major fish farms.

Business Summary

US warns markets against $ speculation

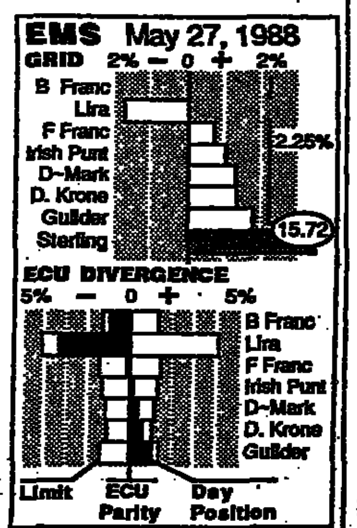
A SENIOR US Treasury official warned financial markets at the weekend not to speculate against the dollar in the run-up to next month's Toronto economic summit. Page 24; other reports, Page 2

NISSAN, second largest Japanese car manufacturer, reported a four-fold recovery in consolidated pre-tax profits to Y80.9bn ($727m) for the year ended March 1988. Page 25

EUROPEAN Monetary System: The French franc retained a strong undertone last week, in spite of a cut in domestic interest rates. Election fears failed to undermine the French unit and it finished the week showing gains against the D-Mark, its major trading partner.

The D-Mark lost some of its usual sparkle but there was little reaction to the Bundesbank's decision to leave its intervention rate unchanged. There had been speculation that higher US interest rates would prompt a similar move in Frankfurt.

However, finance ministers will be keen to maintain a steady path in the run up to the June economic summit in Canada.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

NIKKEI INDEX surged 260.6 points, or 0.97 per cent, to 27,223.1. It sank 327.99 points in half-day trading on Saturday. Share prices closed higher due to bargain hunting and speculative buying, but this was not believed to reflect optimism over rising US interest rates.

In Tokyo the dollar closed at Y124.98. World Stock Markets, Pages 36 and 38

US market closed for Memorial Day Holiday; UK market closed for late spring holiday.

DAIMLER-BENZ, diversified West German motor group, admitted defeat, at least temporarily, in its plan for a DM300m ($174m) capital increase at its Dornier aerospace subsidiary after failing to reach agreement with minority family shareholders. Page 25

IRI, Italy's big industrial and financial holding group, recorded its second consecutively profitable year in 1987. Page 25

VOLKSWAGEN, West German motor group, has taken cost-cutting further by presenting its domestic workforce with a plan to save up to DM1.3bn ($760m) on wages.

BOUYGUES, leading French construction group, expects to report flat sales and profits this year. Page 26

SANOFI, fast-growing French pharmaceutical and beauty products company controlled by Elf-Aquitaine, expects earnings to increase by about 20 per cent this year to FFr720m ($125m). Page 26

Reagan, Gorbachev make progress on arms control

BY ROBERT MAUTHNER, STEWART FLEMING AND QUENTIN PEEL IN MOSCOW

PRESIDENT REAGAN and Mr Mikhail Gorbachev, the Soviet leader, made tangible progress on arms control problems yesterday, in spite of highly critical remarks by the US President about the Soviet treatment of dissidents, which threatened to spoil the atmosphere on the second day of their summit talks here. But the biggest obstacles in the way of a major agreement to reduce strategic arms by 50 per cent still remain.

President Reagan told a group of 100 Soviet dissidents at the US Ambassador's residence in Moscow that not nearly enough had been done by the Soviet government to promote human rights and that the US would relentlessly continue to press that cause.

During a visit to the Danilov monastery, returned by the state to the Orthodox Church in 1983, President Reagan said: "Our people feel it keenly when religious freedom is denied to anyone anywhere . . ."

His concentration on human rights issues brought a rapid rebuke from his Soviet counterpart. At a gala dinner at the Kremlin, Mr Gorbachev called for a comprehensive system of international security "without interfering in domestic affairs, without lecturing others, without foisting one's own views and habits on them and without turning family or personal problems into a pretext for confrontation."

At the Kremlin dinner, Mr Gorbachev defended his reforms and record on human rights. "Our programme is more democracy, more *glasnost*, more social justice, with economic prosperity and high moral standards. Our goal is maximum freedom for man, for the individual and for society."

Though Mr Reagan conceded that the Soviet leader's democratic reforms had made this "a hopeful time" for the Soviet people, he told his audience of dissidents that the new Soviet policy did not add up even to compliance with the basic provisions of the Helsinki Accords signed in 1975 with the Western nations.

Initially, Soviet officials had reacted angrily to the US President's intention to invite the dissidents. But it quickly became clear that the Russians did not want a quarrel over human rights to disrupt the summit. Mr Gennady Gerassimov, the Soviet spokesman, told journalists that "every guest has the freedom to meet whom he likes." It was the US President's right to meet any Soviet citizen he wanted to.

The spokesmen from each side agreed that yesterday's discussions had taken place in a businesslike and serious manner, though they indicated that there had been some tough talking. Mr Gerassimov said the two sides had made good progress towards agreement on verification procedures for air-launched cruise missiles and mobile land-based intercontinental ballistic missiles (ICBMs), implying that the US, as expected, had dropped its demands for a total ban on mobile strategic missiles.

However, the US and the Soviet Union still appeared to disagree fundamentally over the principle of verification for Submarine-Launched Cruise Missiles (SLCMs), which Washington wants to exclude from any verification regime, but which Moscow insists must be included in an overall strategic arms control pact.

Nor has any headway yet been made on the controversial issue of President Reagan's Strategic Defence Initiative (SDI), which the ambiguous joint declaration after last December's Washington summit, failed to clear up. The two sides still disagree over precisely what kind of space weapon research and testing is to be allowed under the 1972 Anti-Ballistic Missile Treaty (ABM) and whether space weapon development and deployment should be allowed to go ahead after a seven to ten year non-withdrawal period from the ABM treaty.

The announcement by Mr Gerassimov that the two sides now see a very good chance of signing an agreement in Moscow on the advance notification of tests of land-based ICBMs represents a retreat by Moscow from the position it had put forward in the Geneva arms talks.

In Geneva, the Russians had proposed that such measures should include advance notification of tests of air and sea-launched missiles, as well as strategic bomber flights.

Summit issues and background, Page 4

President and Mrs Reagan with monks of the Danilov monastery yesterday

Yeltsin calls for removal of deputy to Soviet leader

By Quentin Peel in Moscow

MR BORIS YELTSIN, the sacked former leader of the Moscow Communist Party and outspoken supporter of Mr Mikhail Gorbachev, last night broke the traditional rule of silence about the party leadership, and called for the removal of Mr Yegor Ligachev, the second most powerful man in the Kremlin.

His extraordinary remarks, made in an interview with BBC television, amount to the first public attack on Mr Gorbachev's deputy, the man seen by the most ardent Soviet reformers as the leading conservative seeking to slow down the pace of change.

Mr Yeltsin still holds a significant position in the Soviet Government - as first deputy minister for construction - although he was stripped of his key party positions last year.

Mr Yeltsin also expressed bitterness at the manner of his dismissal from the key position of Moscow party leader, where he was a furious campaigner against inefficiency and bureaucracy, and the failure of Mr Gorbachev to defend him.

However, he admitted that he had been sacked for a personal attack on Mr Ligachev at a stormy plenary meeting of the Communist party central committee, blaming the party leadership for the slow pace of reform.

Mr Yeltsin was asked in the interview if it would be possible for Mr Gorbachev's political and economic reforms to succeed if Mr Ligachev remained in his job - in charge of communist party ideology.

"It is up to the central committee," he said. "But of course it would be possible to develop the process more actively with someone else in that post."

Pressed by interviewer Peter Snow to say whether he thought Mr Ligachev should be removed, he said: "yes."

Veiled attacks on the party second in command have appeared in several of the main reformist newspapers, demanding to know who is the leader of conservatives in the Kremlin.

The question is whether Mr Yeltsin decided simply to pursue his old tradition of outspokenness to the limit - he admitted that he is not enjoying his new job - or whether he knows he can afford to criticise Mr Ligachev because he will still have Mr Gorbachev's support.

UK drinks rivals make bid for Irish Distillers

By Martin Dickson in London

IRISH offshoots of two of Britain's biggest drinks groups - Grand Metropolitan and Allied-Lyons - yesterday combined to launch a hostile I£196.5m ($167m) cash bid for Dublin-based Irish Distillers, the only producer and marketer of Irish whiskey. Guinness, the drinks and leisure group, is playing a subsidiary role in the bid.

Irish Distillers immediately rejected the bid, which it said represented "an attempt to break up the Irish whiskey industry, whereby famous brands such as Jamesons, Powers, Paddy & Bushmills would end up in the hands of multinational companies, where they would be dominated by a wide variety of much larger brands."

It said the offer did not reflect the prospects for the company nor the prices recently paid for international spirits brands.

The bid is unusual in that the two predators, which are rivals in the international drinks business, have formed a joint venture company, GC&C brands, specifically to launch the takeover. If successful, they would divide responsibility for marketing and distributing the various Irish Distillers' products between them.

They insisted yesterday that they would compete against one another in all big world markets "thereby ending the monopoly which has existed over the marketing of Irish whiskey since the early 1970s."

Half of the joint venture company is owned by Gilbeys, an Irish subsidiary of International Distillers and Vintners, one of Grand Metropolitan's major drinks subsidiaries. The other half is owned by Cantrell & Cochrane, an Irish subsidiary of Hiram Walker-Allied Vintners, part of the Allied-Lyons group. Guinness has a 49.6 per cent interest in Cantrell & Cochrane.

The offer is I315p a share in cash. Unlike the UK, the Irish Republic did not have a public holiday yesterday and shares in Irish Distillers closed on the Dublin Stock Exchange at I342p a share, up from Friday's close of I275p.

Irish Distillers has been surrounded by bid speculation since last autumn when FII Fyffes, the Dublin-based fruit and vegetable merchant, built up a 20 per cent stake in the company. Fyffes has committed itself to accepting the GC&C offer.

Irish whiskey is mainly con-

Continued on Page 24

Mother Russia restrains her welcome

BY ROBERT MAUTHNER IN MOSCOW

MOTHER RUSSIA is not easily wooed or made to change her habits, even by as important a visitor as President Ronald Reagan. The fireworks in the Moscow sky on the eve of his arrival were not for him, but to celebrate "National Border Guard Day," clearly a red-letter event in the Soviet official calendar.

By pure coincidence it was also the first anniversary of the day that Mathias Rust, the amateur West German pilot, crossed into Soviet air space without informing the border guards and landed in the middle of Red Square. But the fireworks were not for him either.

Even so, Muscovites could hardly ignore the fact that the first US President in 14 years had come to visit their city. There may be an absence of cheering crowds, waving little paper stars and stripes, but several of the main roads have been repaved and their white lines repainted.

Mr Reagan, following in the footsteps of Mr Mikhail Gorbachev during the Washington summit last December, has done himself no harm by his short walkabout on Sunday in the Arbat pedestrian precinct, favourite haunt of artists, photographers and tourists. He and Mrs Reagan were cheered by a crowd of several hundreds and the event was marred only by the security men (Soviet or American?), who meted out their usual treatment to a number of too enthusiastic bystanders. "He might as well do a walkabout in Moscow," one cynical American observer remarked. "It would be much too unsafe for him to mix with the crowd at home."

Meanwhile, Nancy Reagan and Raisa Gorbachev, the subject of nearly as much media attention as their husbands, appear to have overcome their much-publicised, though never firmly substantiated, dislike for each other, even holding hands during a tour of the Kremlin. As if to emphasise the point, Mrs Reagan frequently chatted to Mrs Gorbachev during the Russian translation of Mr Reagan's statement at the welcoming ceremony in the Kremlin, which must have somewhat distracted the Soviet leader's attention. Never mind, he could always read the transcript of the speech afterwards, just like the more than 3,000 journalists crammed into the international press centre here.

Knowing full well that many of them would never see the golden domes of the Kremlin or its magnificent 17th century St George's Hall, the White House has made sure that its pampered press corps would not be deprived entirely of their essential creature comforts. Thus, the ladies and gentlemen of the press were advised to bring their own toilet paper and even bath towels, since the Russian variety in hotels were deemed to be rather small. While no one has yet been seen with their own bottled water, like the Queen, a well-known member of the press has been observed sneaking in her personal Western brand of instant coffee to breakfast.

Private enterprise has defi-

Continued on Page 24

Human rights, Page 4

European N-power losing cost advantage, says energy study

BY MAX WILKINSON, RESOURCES EDITOR, IN SORRENTO

NUCLEAR POWER has lost much of its competitive advantage in all European countries over the last few years, says an authoritative international study published at the weekend.

The UK was shown to be at the bottom of the nuclear league with costs of power from a new nuclear station expected on some assumptions to be higher than electricity from coal.

By contrast, nuclear power in France remains cheaper than other energy sources for all the range of assumptions about coal prices and capital costs considered by the study.

The report, given to delegates at a conference of the International Union of Producers and Distributors of Electrical Energy (Unipede) here, shows that even in France nuclear power is less cheap than it used to be, relative to coal power.

It shows that on the assumptions used by most electricity companies about the cost of capital and future coal prices, a new coal-fired power plant to be commissioned over the next seven years would produce electricity which was on some 20 per cent to 40 per cent more expensive than that from a comparable new nuclear station.

In the UK, figures supplied by the Central Electricity Generating Board to the international study group suggested that a coal-powered plant would prove about 20 per cent more expensive than a new nuclear plant.

However, the CEGB assumed that coal would continue to cost around the £42 ($78) per tonne which it now pays to British Coal.

The CEGB is now working on the assumption that coal costs for any new station would be about £35 per tonne in real terms. This cuts the advantage of the nuclear option to around 10 per cent.

The Unipede committee costed the nuclear plans of six countries against its own assumption of future coal prices in a common European currency. On this calculation a new nuclear plant in the UK would be hardly more economic than a coal-fired plant, although French nuclear power retained a 50 per cent to 60 per cent advantage.

The economic outlook for nuclear power in the UK, and several other countries including Italy, Spain and the Netherlands looks darker still if electricity enterprises are required to make a return on capital closer to that demanded by the private sector.

All the "main case" calculations were based on the assumption that the real cost of capital would be 5 cent.

However, after the privatisation of electricicy in the UK a rate of return closer to the 8 per cent now used by Electricite de France seems likely.

The Unipede study showed that use of a 7 per cent rate of return would destroy almost all the claimed advantage of nuclear power in the UK even with favourable assumptions about coal prices. A combination of higher rate of return and the lower coal prices assumed by the study group makes nuclear power in most countries except France and Belgium a non-starter.

The reversal of earlier expectations that coal prices would rise steadily until the end of the century has worsened the camparison for nuclear power in almost every country.

Electricity Generation Costs, Unipede 39, Ave de Friedland, Paris

TAKESHITA FINDS THAT APPROVAL AT HOME IS NOT ENOUGH

The Premier's first parliamentary session won friends, Page 24

Howe denies UK is sacrificing Hong Kong

BY DAVID DODWELL IN HONG KONG

SIR GEOFFREY HOWE, Britain's Foreign Secretary, yesterday attacked as "hogwash" widely-voiced suggestions in Hong Kong that the UK had sacrificed, or would sacrifice, the territory's interests in order to improve relations with China.

His comments, made during his first visit to Hong Kong since the signing in 1985 of the Sino-British joint declaration on the colony's future, mark an initiative to bolster the credibility of an administration that has recently been criticised as a "lame duck".

They also appear intended to deflect accusations of increasing interference from mainland China in the government of the colony at a time when increasing numbers of Peking officials are visiting Hong Kong to learn how it is administered.

Sir Geoffrey insisted that failure to preserve stability and prosperity in Hong Kong, which is to be handed over to China in 1997, could do great damage to Sino-British relations. He added that Hong Kong had been the catalyst for improved relations between Britain and China.

Insisting that Britain had "a deep sense of responsibility to Hong Kong and her people," Sir Geoffrey argued that "nothing would destroy Sino-British relations faster that a failure of our joint enterprise in Hong Kong".

He claimed that Britain's economic interests in Hong Kong were immense, and that China's interest in the territory "is even larger than ours". Britain and China had been brought together in a close partnership working for Hong Kong's long term success.

"Hong Kong has been the catalyst of this relationship and the chief beneficiary," he said.

Howe: 'hogwash'

Commenting on controversy in Hong Kong over the pace and direction of political reform, Sir Geoffrey said it was "not surprising" that there were differing deeply held views, and that these had caused friction. He also said he was "not unduly alarmed" by recent reports of quickening emigration from the territory prior to 1997.

On the draft Basic Law, which was published a month ago, and when complete will provide Hong Kong's post-1997 constitution, Sir Geoffrey said it was "not perfect", and Britian would try to ensure that it reflected "fully and accurately" the provisions of the joint declaration. He nevertheless welcomed China's decision to involve Hong Kong people in the drafting process, and to draft it openly.

Only a few years ago, many in Hong Kong would have been surprised to see such a draft emerge from a committee appointed by the Chinese legislature, he added.

Earlier in the day, Sir Geoffrey had visited two closed camps in Hong Kong holding Vietnamese refugees.

Brazil's inflation worsens

BRAZIL'S inflation rate for May was 17.78 per cent against 19.28 per cent for the previous month, the official statistics office has announced, Ivo Dawnay reports from Rio de Janeiro.

According to one analysis, the month's figures would have breached the psychologically significant 20 per cent figure if an average daily price rise had been taken.

The May result gives accumulated inflation of 124 per cent for the first five months of 1988 and 360 per cent over 12 months.

The Brazilian Central Bank is now planning to launch a Cz5000 note, worth $31.25 at current official exchange rates.

Setback to African hopes on debt crisis

By Victor Mallet in Addis Ababa

AFRICAN LEADERS, ending a summit meeting in Ethiopia, have suffered a setback in their efforts to negotiate easier terms this year for the continent's $200bn external debt.

A planned conference with creditors, at which Africa was to present a united front, has been postponed until next year.

Africa's debt service obligations will reach an unmanageable $34bn this year, but creditors and a few individual African countries are pursuing a case-by-case approach in preference to a continent-wide relief scheme.

"If Africa's creditors insist that we pay now, we will not pay, because we can't pay," declared President Kenneth Kaunda of Zambia, the outgoing chairman of the Organisation of African Unity, shortly before the summit. "This is not defiance but inability to pay." Africa's common position on debt calls for a 10-year suspension of service payments from this year.

Mr Babacar N'diaye, head of the African Development Bank, told the OAU that debt refinancing proposals to be offered to creditors had been completed for Zaire and Madagascar. Mozambique is expected to follow.

The emotions aroused by the debt crisis were underlined by Mr James Grant, head of the UN Children's Fund, when he paraded an Ethiopian child before the assembly and blamed foreign debt for the deaths of hundreds of thousands of children in Africa, Asia and Latin America.

Other issues highlighted during the OAU's 25th anniversary meeting included sanctions against South Africa. The Mauritius delegate walked out of the closing session in protest at the naming of his country as maintaining links with South Africa.

Reports that foreign companies were planning to dump industrial waste in Africa prompted the OAU to declare that such disposal would be "a crime against Africa" and forbidden.

As if in mockery of the OAU's inability to enforce its decisions, news arrived from Rotterdam that Congo had agreed to stock about 1m tonnes of chemical waste from four European countries, in a deal worth $84m.

Car bomb kills 15 in Christian Beirut

BY NORA BOUSTANY IN BEIRUT

VIOLENCE SPREAD to the Christian sector of Beirut yesterday as a massive car bomb exploded in a narrow street near the right-wing Falange party's offices, killing at least 15 people and wounding more than 60 others.

A blue Volvo, packed with 150 pounds of TNT, was parked in the centre of a busy street. The blast thundered through a crowded area at mid-morning, burning motorists in their cars, tearing down facades of buildings and blowing out windows.

Meanwhile, Mr Mohammed Salman, Syria's Information Minister, said at the weekend Syrian troops assigned to Beirut's southern suburbs will be pulled out once order is re-established. He added that no presidential election will take place in Lebanon unless a central administration is effective for all Beirut.

Last week, Syrian special forces were deployed in the Moslem shia slums of Beirut to put an end to a three-week war between the mainstream Amal movement and the Iran-backed Hizbullah, which had managed to gain control of the southern suburbs.

Syria has been reluctant to move against Iran's proxies in Lebanon, the fundamentalist shia Party of God, until the Lebanese army had taken similar steps against Christian militants in east Beirut. Syria and Iran agreed on a security formula for the shia suburbs last week, allowing a Syrian force to enter and disengage the warring militias.

Mr Salman said, once order was re-established, the Syrian force of 3,000-4,000 men would be displaced by Lebanese police. There are 150 Lebanese policemen now assisting the Syrian troops.

A leading shia cleric, Mohammed Hussein Fadlallah, publicly welcomed the Syrian entry to the suburbs but warned in an interview there would "soon be fires in the eastern (Christian sector)."

Mr Karim Pakradouni, vice-president of the Lebanese Forces Executive Committee, the Christian militias, commented yesterday: "We received the verbal message yesterday and today the bloody message arrived."

The Lebanese army is loth to undertake a big military operation against the Christian militias before the presidential election.

The Syrian-Iranian ceasefire agreement for the suburbs leaves Hizbullah and Amal militiamen in control of the western edge of the greenline, a deserted stretch of no-man's-land splitting Beirut into Christian and moslem halves.

France acts again to cut foreign exchange curbs

BY GEORGE GRAHAM IN PARIS

MR PIERRE BEREGOVOY, the new Finance Minister, has announced two more small reductions in France's exchange control regulations.

The Government will remove the ceiling on how much foreign exchange a commercial company may hold, previously limited to three months of its overseas turnover, and will also end the special procedure for authorising cheques of over FFr200,000 (£18,609) or FFr250,000 to be cashed.

Exchange controls have been steadily dismantled over the past three years, in a process begun by Mr Beregovoy in his last term of office and continued more rapidly by his right-wing successor, Mr Edouard Balladur.

The two main restrictions still in place are a ban on French residents opening foreign currency accounts abroad and the prevention of French franc loans overseas unless they are backed by franc deposits also gathered abroad or are for debt rescheduling purposes.

Mr Beregovoy said he was also thinking of taxing financial profits made by companies, on the grounds that it was "deplorable that companies' money should be diverted from investment towards a speculative game." Finance ministry officials indicated, however, that the minister's idea was still at a very early stage.

Dollar stability called for

FRANCE and West Germany agreed on the importance of stabilising the dollar at current values in top-level talks yesterday and called for progress towards lifting restrictions on movement of capital in Europe, Reuter writes from Paris.

Mr Pierre Beregovoy, the French Finance Minister, met Mr Gerhard Stoltenberg, his West German counterpart, for four hours of talks, a second session of a new Franco-German economic council.

Mr Stoltenberg welcomed a French decision to ease remaining exchange controls, hailing this as a further step towards freedom of capital movements in the European Community.

On the dollar, Mr Beregovoy told reporters after the meeting: "We both desire monetary stability and we consider that it is important to stabilise the dollar at its current levels."

Mr Stoltenberg said: "We studied the situation in the currency sector with the two central bank governors. It is particularly welcome that, thanks to our cooperation, we have stability among the European Monetary System currencies."

Mr Jacques de Larosiere, the Governor of the Bank of France and Bundesbank President Karl Otto Poehl also attended the meeting.

The two currencies are now very close to their central rates against each other within the EMS currency grid, after several months of franc weakness.

Canadian nickel workers vote on 3-year deal

By David Owen in Toronto

SOME 6,300 unionised workers at Inco's Ontario nickel operations vote today on whether to accept a tentative three-year labour contract agreed on Saturday by unions and company representatives.

The proposed deal provides for the indexation of pensions for all retired workers and surviving spouses and for average wage rises of 21.8 per cent over the lifetime of the contract.

In addition, workers will receive quarterly bonuses based on the price of nickel. The first "retroactive" payment has been fixed at C$2,080 (£896).

The proposed settlement has been acclaimed as the "best ever" by union leaders. The agreement is indicative of prosperous times at the world's largest nickel producer. Inco's first quarter earnings reached a record US$125.9m on the back of soaring nickel prices.

W Bank Palestinians go on commercial strike

BY ANDREW WHITLEY IN JERUSALEM

PALESTINIANS throughout the occupied West Bank and Arab East Jerusalem staged a full commercial strike yesterday to coincide with the US-Soviet summit in Moscow. In the Gaza Strip, confusion over the strike call produced mixed results.

In another development, Mr Yitzhak Rabin, Israeli Defence Minister, yesterday held his second private meeting in four days with a group of prominent Palestinians from the occupied territories. The ministry would not confirm the meeting, believed to be connected to US-Israeli efforts to find Palestinians willing to meet Mr George Shultz, US Secretary of State.

He is to return to the Middle East on Friday, deepening scepticism about his chances of making progress on his peace plan. Operating from Cairo, he is to spend Sunday and Monday in Israel.

In a bid to demonstrate a gradual return to normality, over the weekend the Israeli authorities allowed another large batch of West Bank schools, closed four months ago, to reopen.

The violence has diminished in recent weeks but has by no means disappeared. Since Friday afternoon, four more Palestinians have died – two from wounds sustained earlier and a third, a three-year-old girl, is alleged to have inhaled tear gas.

On Sunday, a woman was shot dead in the West Bank village of Jaba, while a young man was shot in the chest and seriously wounded in Beach Camp, Gaza.

After nearly six months of unrest, senior Israeli officials, such as Mr Shmuel Goren, the government's co-ordinator for the occupied territories, speak with growing confidence, however, of tiredness setting in among the Palestinians.

US curbs on acne drug

BY RODERICK ORAM IN NEW YORK

FURTHER curbs have been placed on Accutane, an anti-acne drug linked to birth defects, by the US Food and Drug Administration to try to stop its use by pregnant women.

The drug's maker, the US subsidiary of Hoffmann-LaRoche, the Swiss pharmaceutical group, has agreed to the measures and added some of its own.

Although the actions are highly unusual, they fall far short of a ban on the drug or tight restrictions on doctors' rights to prescribe it which had been advocated by some government and private sector experts. Legal experts were divided on whether the agency had the power to take such drastic action.

Packaging will carry larger warnings including the statement that use during in pregnancy carries a one-in-four chance of damaging a foetus.

A photograph of a deformed infant will be included

Doctors who prescribe the drug and their patients must sign a consent form stating that they are aware of the risks and that the patient is using contraception.

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French polls point to big majority for Socialists

BY IAN DAVIDSON IN PARIS

THE Socialist Party looks set to follow up the crushing re-election of President François Mitterrand by winning a big absolute majority victory in the French general elections.

The first round of voting for the elections takes place next Sunday.

Some opinion polls even suggest that the Socialist victory over the combined forces of the neo-Gaullist RPR party and the UDF centre-right grouping could be of landslide proportions, with the complete elimination from the National Assembly both of the Communist Party on the left and of the extreme National Front on the right.

The prospect of a big Socialist majority is not altogether consistent with the reiterated claim of President Mitterrand, echoed by Prime Minister Michel Rocard, that the aim is for an "opening" towards the centre. Mr Mitterrand has said that it is not "healthy" for one party to have an absolute majority, since it would not correspond with the balance of political forces in the country.

Socialist leaders continue to insist on the aim of an enlarged majority. It is possible that in some constituencies the party will stand aside in order to allow centrist candidates to win. But Mr Rocard has recently started saying that the "opening" will require patience.

The most extreme projection has come from a BVA poll published in Paris Match, which gives the Socialists 44.5 per cent of the vote and 383 to 452 seats in the 577-seat National Assembly. According to the predictions in this poll, the Communist Party and the National Front, both of which won 35 seats in 1986, would fail to win a single seat this time round.

All polls show a sharp decline in the share of the vote going to the National Front, compared not merely with the 14.4 per cent scored in the first round of the recent presidential election by its candidate, Jean-Marie Le Pen, but also with the 10 per cent scored by his party in the 1986 general elections. They also show a continued slight decline in the Communist vote.

The predicted drop in National Front seats is largely attributable to the switch from proportional to majority voting.

The narrowest forecast has come from the IPSOS poll in Le Point, but even this gives the Socialist Party a comfortable absolute majority, with 312-325 seats, compared with 227-243 for the traditional right-wing parties.

The wide range of forecasts is partly due to the fact that any candidate whose vote in the first round is more than 12.5 per cent of the electorate is entitled, but not compelled, to contest the second round one week later. The National Front may hope to bargain over seats with the Gaullists, and the centrists may hope that the Socialists will stand aside for them in selected seats.

Meanwhile, Mr Jean-Pierre Chevenement, the Defence Minister, has announced the first results of the inquiry into the circumstances surrounding the military release, just before the presidential election, of hostages who were held by separatists in the Pacific territory of New Caledonia.

He said the military inquiry gave no support to allegations that three of the Melanesian separatists had been killed after they had surrendered to the French forces.

But one of them, Alphonse Dianou, had died in "suspicious" circumstances, the officer responsible for evacuating the wounded had been suspended, and the dossier had been passed to the Ministry of Justice.

Catalan leader wins fourth term

By Tom Burns in Madrid

MR JORDI PUJOL, the Catalan nationalist leader, won an overall majority in elections on Sunday to Catalonia's 135-member parliament to gain a third consecutive four-year term at the head of the Generalitat, the autonomous government of the prosperous province of Spain.

With a turnout of just under 60 per cent of Catalonia's 4.5m voters – extremely low by Spanish standards – Mr Pujol's centre right Convergencia i Unio party was returned with 69 seats, three less than in 1984, while the Socialist Party, the governing party in the Madrid Government, won 42, a gain of one seat.

The result at one level underlined the regional, nationalist sentiment in the region for Mr Pujol, 58, had campaigned hard for a strong, Catalonia-based government that would stand up to the central administration. In power at the Generalitat since 1980, he can now be expected to step up his demands for increased home rule.

At another level the poll illustrated the role that the experienced Catalan leader, by virtue of his proven ability to defeat the Socialists, can now play as the abitratator of the centre right in Spain.

John Elliott assesses the constitutional coup by the Pakistani President

Zia shows the world who's in charge

PAKISTAN is to be governed for several years by the country's army, with or without the overlay of a basically subservient Parliament. That is the main conclusion to be drawn from the demonstration on Sunday of supreme authority by General Zia ul-Haq, the country's President, when he suddenly and without public warning sacked his Prime Minister, Mr Mohammed Khan Junejo.

President Zia is also the country's chief of army staff and its former military dictator. He has left the world in no doubt about who is in charge of his country, nor about the balance between presidential and parliamentary power.

He said elections, which were not due till early 1990, would take place within 90 days. But constitutionally he can delay them, as he did for eight years in 1977, when he first seized power. There is unlikely to be any civil unrest because the Junejo administration was not popular, and because Miss Benazir Bhutto, the main opposition leader, does not have the will and power to organise mass demonstrations.

Three years of growing tensions between the President and Mr Junejo led to Sunday's unexpected announcement and to the ousting of the man President Zia had himself chosen in 1985 to help him ease the country from eight years of martial law to a form of parliamentary democracy.

President Zia seized power in a 1977 coup from President Zulfiqar Ali Bhutto, whom he later executed. He ran a relatively benevolent military dictatorship until 1985 when, acting under strong pressure from the US, which had become a mainstay of his regime, he called non-party elections and installed Mr Junejo as Prime Minister.

But he retained the job of chief of army staff and has been backed by a coterie of top army brass, who are still regarded as the country's ultimate power brokers and whose patience has run out with increasing lawlessness, inefficient and corrupt government, and the national security tensions of the Soviet pull-out from Afghanistan.

When Mr Junejo, a Sindhi landlord from southern Pakistan, was chosen as an inexperienced and virtually unknown politician by President Zia, it was assumed that he would be a docile Prime Minister. But he has increasingly tried to upstage and outmanoeuvre General Zia, who is rarely outwitted for long by other politicians. He regularly scores diplomatic coups against Mr Rajiv Gandhi, Prime Minister of neighbouring India, and the only man who has upstaged him in recent years is Mr Mikhail Gorbachev, the Soviet leader, with his initiative this year on Afghanistan.

Tensions between Mr Junejo and the President have come to a head partly because of the administration's failure to control the increasing lawlessness in the country, especially in Mr Junejo's home province of Sind and its capital of Karachi. There has also been widespread government corruption and inefficiency which the Prime Minister has proved unwilling or unable to correct. Ministers have been more interested in building political power bases and exercising patronage than in running departments.

President Zia was persuaded by Mr Junejo at the end of 1985 to drop his insistence on non-party politics and to allow Mr Junejo to form the Pakistan Muslim league, building on an earlier party of the same name.

He also had to stand aside while Mr Junejo abandoned his policy of introducing Islamic principles into Pakistan's way of life and he increasingly had to listen to Mr Junejo condemning aspects of the former martial law, most recently in Hong Kong on a trip to China from which Mr Junejo had just returned on Sunday.

But the most critical source of tension between the two men has been over defence policy. In addition to being Prime Minister, Mr Junejo has also been Minister of Defence. This was supposed to be only a nominal post, because President Zia remained chief of army staff, but Mr Junejo increasingly interfered in defence policy and decisions.

In 1986 there were tensions over President Zia's reappointment as chief of army staff and recently over his determination that Pakistan should continue as a conduit for US, Chinese and other arms supplies to Mujahideen guerillas in Afghanistan after the current Soviet forces' withdrawal.

The final straw may well have been Mr Junejo's insistence on the need for a freeze on defence spending when the country's annual budget is announced early next month.

There have also been serious disagreements over two rival inquiries into a major explosion at an Islamabad arms depot last month, which killed at least 90 and maybe many more people, raining shells, mortars and rockets over the country's twin capital cities of Islamabad and Rawalpindi. An army inquiry said it was an accident but an inquiry ordered by Mr Junejo blamed the army for negligence.

This weekend's constitutional coup inevitably casts doubt over General Zia's real wish ever to return to a form of democracy. He said recently in a radio broadcast that he would not be wearing a uniform "after 1990" - the year when both presidential and parliamentary elections are due. But he has teased the Pakistani people with promises of retirement before.

He may well have been planning Sunday's move for some time. It seemed he was giving Mr Junejo a warning when he opened the national assembly in March and said: "I am not the master of every situation in Pakistan, but equally no-one should imagine that I can be turned into his master's voice."

Kohl calls for bridge-building after private trip to E Germany

BY DAVID MARSH IN BONN

CHANCELLOR Helmut Kohl yesterday called on more West Germans to visit East Germany following his bridge-building private trip at the weekend to the eastern part of the divided nation.

Mr Kohl's excursion to Gotha, Erfurt, Weimar and Dresden, accompanied by his wife, one of his sons, and two Bonn officials, was the first private visit to East Germany by a West German Chancellor.

The journey, demonstrating the Chancellor's wish for more travel and human contacts across the East-West divide, was given no advance media publicity by the West German Government.

Bonn officials yesterday said the Chancellor went to a football match and the opera in Dresden, attended a church service, stayed in hotels for two nights, and chatted with ordinary East Germans in cafes and bars. East German people – classified by Bonn as enjoying West German nationality – were "open and friendly" towards the Chancellor, one official said. They were also not afraid to voice criticism about the Communist system, he added.

Several East Germans approached Mr Kohl during his sojourn with requests to be able to emigrate to the West. In view of the East Berlin Government's suspicions about any moves by Bonn to incite flows of fugitives from the East, Mr Kohl was at pains not to enter into any detailed converations with would-be emigrés. Bonn will be treating the named emigration requests passed to the Chancellor with some delicacy in coming weeks.

The Chancellor had lengthy discussions with theology students at a Catholic seminary in Erfurt, leaving behind as a memento a message of greeting on the blackboard. The West German party also left behind some much-needed Western foreign exchange as, counting East German hotel prices, the five-strong group plus two chauffeurs spent more than DM1,000 (£314) during the trip, officials said.

Bonn believes that the East German Government deliberately took a low-key aproach to the visit. Although East German security men followed the party, East Germans were not restricted from approaching the Chancellor and passing him messages, officials said. During the interval at the opera performance, he was passed emigration requests scrawled in opera programmes.

Officials in the Chancellor's entourage claimed his reception underlined citizens' support for him in East and West. "The Chancellor is an unbelievably popular man," enthused one yesterday.

Yugoslav party leadership told to reform or face dismissal

MR SLOBODAN MILOSEVIC, the Serbian Communist Party chief, told Yugoslav party leaders at their national conference to implement sweeping reforms by autumn or face dismissal, Reuter reports from Belgrade.

Mr Milosevic was quoted by official sources as telling the party conference's economic commission that if authorities failed to introduce "complete social reforms" by autumn an extraordinary party congress would have to be called.

Such a congress, unlike the current one, would have the power to elect a new central committee and party leadership.

"Either the leadership will fulfil the will of the people, or the people will replace it in a democratic and civilised way," he said. "If we do not implement reform immediately, we will continue indebting ourselves with new billions of dollars."

Aleksandar Lebl adds: The conference took place against the background of a 23.9 per cent devaluation of the dinar, announced at midnight on Friday, and a decision to proceed with an IMF-inspired economic liberalisation plan.

The IMF-sponsored plan calls for the progressive deregulation of prices, imports and foreign exchange disbursement. As it came into effect, the authorities announced price increases for such products as cement, tinplate, oil, telecommunications charges and rail fares.

The government of Mr Branko Mikulic appears to have proceeded with the IMF-inspired liberalisation measures without fully obtaining promises of $1.2bn to $1.4bn in new foreign financing which it had said was a prerequisite.

On Sunday, on his return from a visit to Japan, where he negotiated a loan of $100m to be given directly to Yugoslav commercial banks instead of through the World Bank, Mr Mikulic said that any further delay in implementing the measures could endanger economic prospects for the second half of the year.

FT correspondents look at different sides of the human rights issue

Soviet irritation at 'low-priority' issue runs deep

BY QUENTIN PEEL IN MOSCOW

PRESIDENT Ronald Reagan's apparent determination to push human rights to the top of the Moscow summit agenda has obviously irritated the Soviet side, who are convinced the US attitude has more to do with propaganda than substance.

For Mr Gorbachev, it was always clear that arms control and regional issues – such as the Middle East and southern Africa – were the most substantial subjects for discussion, with bilateral relations and human rights well down his list of priorities.

To some extent, therefore, he appears to have been caught off guard by the well-oiled US publicity machine, on a subject which remains extremely difficult for any Soviet leader, however reform-minded, to handle. On the other hand, Mr Gorbachev is now prepared to talk about the issue, and determined to score a few points of his own off his rival.

The Soviet irritation runs deep for several reasons: partly because they are convinced they are not getting the credit for the substantial reforms in human rights already under way, partly because they feel the US attitude is smug and patronising, compounded by a flat refusal to see any humanitarian faults in the US system, and partly because the sorry human rights record of the Soviet Union is a genuine embarrassment.

There has been progress on human rights issues, although the situation in the Soviet Union remains unpredictable, and action to curb civil rights is now more than ever arbitrary, depending on the subject, the region of the country, and very probably the security personnel taking the decision.

Thus a demonstration by 200 people against nuclear energy in Kiev, close to the site of the Chernobyl power station, was broken up last month, with 17 arrests and one leading organiser detained for a week. A similar demonstration drew as many as 3,000 people in Riga, according to reports reaching Moscow, and was allowed to take place without harrassment.

On the question of emigration, a key issue for the US President, the number of those given permission to leave was about 40,000 last year, five times more than in 1986, according to Mr Rudolf Kuznetsov, head of the visa and registration department for foreigners (Ovir) of the Soviet Ministry of Internal Affairs. In the first four months of 1988, 20,000 more were given permission, he told a recent press conference.

He admitted, however, that problems remained in the system, and that only recently the ministry had been instructed to given written explanations to all visa applicants on request.

The backlog of emigration applications pending is down to 2,000, according to US officials, although that figure does not include any who are simply discouraged from applying by the bureaucratic obstacles put in their way.

As for political prisoners, the official Soviet figure is that "a little more than 200 people" are now serving sentences for "crimes against the state". Amnesty International maintains that there are at least 300 still imprisoned for "non-violently exercising fundamental human rights," although 250 more, including 32 in psychiatric hospitals, were released last year.

What appears to irritate Mr Gorbachev and his advisers is that President Reagan does not make any obvious allowance for the profound debate now under way on all aspects of civil rights and legal protection. For Soviet officials, that debate is in itself traumatic and unprecedented, involving the admission of fundamental human rights abuses over the years.

New laws now promised include a law on the freedom of conscience and religious association, a law on the press and information, and one on what Professor Igor Kuznetsov, deputy director of the all-union Research Institute of Soviet Legislation, simply calls "public openness".

The other side of the Soviet response is an attempt to turn the whole human rights debate into a "two-way street" by focusing on abuses in the US. So far that effort has been rather half-hearted, concentrating on a handful of Indian and black activists, several of whom were jailed for homicide, and on so-called economic violations of human-rights, such as unemployment and homelessness.

The failure of the US Government to ratify a whole variety of international human rights conventions touches on a more sensitive point, while Mr Gennady Gerasimov, the Soviet government spokesman, was clearly delighted at his briefing on Sunday to take a question from a Nicaraguan journalist labelling US support for the Contras as a human rights abuse.

Moscow schoolgirls greet Mrs Reagan yesterday

US welcomes reform but sees menace of the KGB

THIS of course is a side of Moscow President Ronald Reagan will not see.

We are sitting on "the beach", a sandy bank in a wooded section of the Moscow river on a sparkling Sunday afternoon.

Two children are heaving away at the oars of a rowing boat they have hired for a few hours and even fewer roubles. Two others are swimming, impervious to the chilly water and occasional speedboat.

There are quite a few foreigners around but for the most part the scene is of Muscovites at play. A friend, the wife of a British correspondent, suggests that it is a mistake to bring a visiting reporter to the beach, he is liable to get the wrong impression about life in Moscow.

Not entirely. The drabness of much of the city can be oppressive and not even the White House press which is accustomed to sweeping through official barriers like royalty could escape the heavy hand of the KGB, the feared Soviet secret police, two officers of whom, gimlet-eyed, monitored their arrival at the Moscow airport.

The KGB was a topic which was raised by US officials only perfunctorily in briefings for the American press before they left Washington for Moscow.

Discussing human rights, Mr Richard Shifter, assistant Secretary of State for Human Rights and Humanitarian Affairs, said: "The Soviet Union is still a one-party state, the KGB is still in place."

It was a comment designed to put into fuller perspective the otherwise positive assessment he had offered on US-Soviet discussions on human rights.

"It is fair to say that even at the time we started these (human rights) discussions in April 1987,

Stewart Fleming, US Editor, in Moscow reports on worries about the difficulties of 'institutionalising' human rights in the face of the power of the Soviet secret police

we did not believe that they would become as intensive as they have. A few years ago the entire process would have been simply unthinkable. . . we have begun to engage in some discussions of basic institutional issues of legislation, of such issues as involuntary commitment to psychiatric institutions, and of the role of the courts," he went on, adding: "I do not believe that conversations of this kind would be productive if there were no real constituency for a change within the Soviet Government."

While Washington officials have acknowledged their surprise at changing attitudes in Moscow, human rights have been a source of tension at the summit.

Soviet officials have sensed, no doubt correctly, that the US decision to say they are giving human rights "pride of place" on the negotiating agenda is designed to put Moscow on the defensive, make propaganda at Soviet expense and focus attention away from arms control in order to put pressure on Moscow to shift its position. The US stance will also appeal to Mr Reagan's audience at home.

But if the US pushes too hard the summit atmosphere could be soured and that would not be good for either leader.

As Washington has watched Mr Gorbachev's reform agenda become more ambitious and Soviet officials talk about changing laws, its human rights agenda too has become bolder.

The traditional focus on Jewish emigration and the treatment of "refusniks" has been broadened to include calls for fundamental changes in Soviet laws in the hope that this will make human rights progress less easily reversible and less arbitrary.

"Words are fine but what we really need to see are changes in law and practice," is how one White House official puts it.

"What we can say is that there is no assurance that these changes (in human rights) will last as long as they stem, as in the days of Czar Alexander II, solely from the personality of the principal leader," Mr Shifter told the House Foreign Affairs Committee last month.

American officials are well aware that in pushing for what President Reagan in his Helsinki speech last week termed the institutionalisation of Soviet human rights reforms they are not only trying to ensure that changes can be less easily reversed, they are implicitly encouraging Mr Gorbachev to curb the power of what Mr Shifter described as "a comprehensive secret police apparatus (that) goes back hundreds of years, having been created in the first instance by Peter the Great in 1702".

Those who recall the scrupulous care with which American presidents dealt with FBI director J Edgar Hoover – the head of an organisation which even under his leadership did not qualify as a secret police force – can grasp the scale of the challenge facing Mr Gorbachev if he wants to "institutionalise" human rights.

Abolition of state planning considered

By Quentin Peel

A STARTLING critique of the Soviet system of state planning was published yesterday in Pravda, the Communist Party newspaper, revealing that top government leaders have considered dismantling the whole system.

It talked of "plan anarchy", and admitted that over a period of 20 years not a single item in a list of 170 essential goods had been produced to the plan target, setting of a chain reaction through the Soviet economy.

The article criticised the core of the planning process, the system of state orders for goods determining exactly what individual enterprises can produce, regardless of cost and efficiency.

However, it concluded that scrapping the whole system and giving complete independence to individual factories would be going too far – and the planning process should instead be limited to a few hundred selected items.

The article was published as part of the analysis of the agenda for the forthcoming Communist Party conference, presented by supporters of Mr Mikhail Gorbachev, the Soviet leader, as a critical occasion for consolidating his reform process. By appearing in the newspaper of the ruling party, it immediately gains credibility as an indicator of the range of acceptable debate.

It quoted a meeting of the Government's Praesidium, headed by Mr Nikolai Ryzhkov, the Prime Minister, and including the head of Gosplan, the state planning body.

"Some economists have even suggested giving enterprises full independence, claiming they will find buyers themselves, conclude agreements on their own, deciding what and how much needs to be produced," the newspaper said.

"This viewpoint was voiced at the Praesidium of the Government recently. In essence, what is being advocated here is the liquidation of central administration and planning."

The essence of the argument, it said, was that the economy under socialism should be self-regulating, as under capitalism.

The article quoted the words of the agenda for the party conference, that before Mr Gorbachev's policy of *perestroika* (economic restructuring) "our economy turned out to be in a pre-crisis situation."

Past five-year plans had brought no improvement in the supply of vital goods, while shortages actually increased and prices rose. "The advantages of the planning system in such a light are not very convincing." Indeed, the author went on to compare the results very unfavourable with capitalist economies.

The article brings the sort of criticism of the centralised planning process out of the columns of the more intellectual journals, and into a mainstream party newspaper, clearly seeking to set the widest possible parameters for the debate at the party conference.

On that front, growing concern has been expressed by reformers at the conservative outlook of many of the conference delegates, in spite of the fact that the conference agenda – the party's "theses" appear radical.

Proposed Comecon-EC co-operation accord likely to divide the Community

BY DAVID BUCHAN IN BRUSSELS

THE NEW Soviet interest in a fully-fledged co-operation agreement with the European Community threatens to cause a split in EC ranks, according to Community officials and diplomats.

The Greek Government has made clear that it intends to make promotion of EC relations with Comecon, the communist bloc's economic entity, a hallmark of its six-month presidency of the EC Council of Ministers from July 1.

At a special conference last week on this impending presidency, Mr Yannos Kranidiotis, the Greek Foreign Ministry's special adviser on EC affairs, said his country planned to build on the joint EC-Comecon declaration expected to be signed in June, during the last few days that West Germany has the EC chair.

As part of Greece's ambition to use its EC presidency to promote political dialogue with the Soviet Union, Athens seems receptive to the idea of a *co-operation accord with* Moscow. Other member states and the EC Commission are uneasy, however, at the prospect of giving the Soviet Union better treatment than the rest of eastern Europe has under existing bilateral pacts.

Moscow expressed no interest until very recently in a bilateral economic accord with the Community, but it has now put to Brussels a proposal focussed partly on trade regulation, but mainly on co-operation

The Community dilemma is that it has always told other Comecon countries they must start their relations with Brussels by a trade accord and then work towards a co-operation accord. On the other hand, in the new era of Gorbachevian neo-detente, it does not want to reject the Soviet overture out of hand.

For its part, Moscow stands to benefit little from a standard EC trade accord because few of its exports (mainly raw materials) are subject to EC tariff or quota, but could benefit substantially from any transfer of technology through a co-operation accord.

Gorbachev (left), Reagan and Shultz at the Kremlin yesterday

Richard Gourlay reports on a regional diplomatic drive

Moscow's Asia-Pacific game-plan

IMPROVED superpower relations remain from the Soviet Union's point of view essentially a European success, for all the easing of tensions that the Reagan-Gorbachev summit in Moscow represents.

In the Asia-Pacific region, where much of Soviet territory lies, Moscow has made little progress towards better diplomatic or economic relations with its neighbours. Nor does the US show any sign of loosening its strategic grip, which through military bases in Japan, South Korea and the Philippines, gives it what Soviet and Western diplomats call an "overwhelming dominance" in the region.

But now, nearly two years after Mr Gorbachev made his first overtures to the region in a speech in Vladivostok, the Soviet Union is relaunching a diplomatic drive. "We want to put some guts into the policy", says Mr Oleg Sokolov, the dynamic Soviet Ambassador in Manila.

The spearhead of this renewed assault is a new Committee for Asian-Pacific Co-operation which was set up in March. Its chairman, Mr Yevgeny Primakov of the Soviet Academy of Sciences, kicked off his official duties at the Pacific Economic Co-operation Conference in Osaka, Japan, last week.

More immediately during the summit, the Soviet Union is expected to repeat an invitation to the US for talks aimed at reducing military activity, the number of bases and, especially, the nuclear presence in the region. The US has not replied to earlier requests for such talks.

Moscow is also moving on the military front. In the last year, Soviet naval movements in South-East Asia, from north of the Korean peninsula to the South China Sea, have been cut by half, according to Mr Bill Hayden, the Australian Foreign Minister, quoting Australian – and therefore almost certainly US – military intelligence. There have been similar reductions in aircraft movements, he said.

Many Western diplomats regard these cuts with caution, in much the same way as they view the promised removal of all 100 nuclear warheads from Soviet Asia as part of the Intermediate Nuclear Forces treaty – because the policy can easily be reversed.

The Soviet Union is expected to repeat an invitation to the US for talks aimed at reducing military activity, the number of bases and, especially, the nuclear presence in the region

They also suspect the smaller naval presence is not so much a gesture of friendly intentions by Moscow as a change forced on it by the same domestic budget problems that fostered *perestroika*.

Nevertheless, it has provided useful ammunition for Moscow in its renewed diplomatic assault, particularly in Manila, where the US and the Philippines are reviewing the future of two strategically important American bases beyond 1991 when the leases run out.

Soviet diplomats in the region are casting off their surly, silent image, Western diplomats say. Mr Sokolov, for example, came to Manila after 15 years in Washington, the last of them as chargé d'affaires, and speaks perfect English with a Boston accent. One Western diplomat, missing the beginning of a television interview with him recently, thought he was watching "another one of those east-coast liberals."

These diplomats, Mr Igor Rogachev, the deputy foreign minister, and a group of visiting Soviet parliamentarians in Manila in March, all repeated Mr Gorbachev's Vladivostok message that "if the US gives up its military presence, say in the Philippines, we would not leave this step unanswered".

However, none of them has been willing to expand on Mr Gorbachev's vague promise. He was clearly referring to the Vietnamese bases at Cam Ranh Bay, which Moscow has greatly expanded since the US left hurriedly in 1975. The wariness of showing more cards appears to be mainly because the US refuses even to talk about reducing its presence in the region.

On the economic co-operation front, Soviet diplomats admit to a disappointing response in the region. Budget problems prevent Moscow from buying its entrance ticket with aid and there have been few takers – Thailand being the notable exception – for the joint ventures that the Soviet Union is mostly offering.

In the Philippines again, where the Soviet Union is making one of its strongest diplomatic pushes in the region, four projects have either been turned down or are going nowhere.

Proposals – which both sides deny they initiated – for Moscow to build a power plant, to use ship repair facilities and to upgrade the Nonoc nickel mine have all come to nothing while the use of port facilities at Cebu City for the Soviet fishing fleet is still only an idea.

For this last project, Moscow wants direct Aeroflot flights to Cebu for the relief crews, which Western diplomats feel could be lead to greater Soviet contact with the country's communist-led rebels and their front organisations.

Washington makes no secret of its strong disapproval of Soviet trespassing in its backyard. But equally Moscow has very little to offer a joint-venture partner compared to Japan, for example.

Elsewhere in the region, the picture is similar. Japan has a long-standing argument with Moscow over control of the northern islands it seized in 1945, which is still a big domestic issue to the relatives of war dead buried there; general suspicion still surrounds Soviet support for the Vietnamese government and its troops in Kampuchea; and two years of new-look Soviet foreign policy, even with the dramatic withdrawal of troops from Afghanistan, will not erase suspicions from the minds of South-East Asia's older leaders of Moscow's continuing designs for national liberation struggles in countries such as theirs.

For the moment, the team of Soviet salesmen is still expounding the "new thinking" in Moscow. But for salesmen, hope springs eternal. Soviet diplomats in Manila say they hope President Corazon Aquino will visit Moscow next summer, not just as a courtesy call but to launch some concrete joint ventures.

Indian Airlines plans to boost fleet with £405m Airbus order

BY JOHN ELLIOTT IN NEW DELHI

AIRBUS INDUSTRIE is to receive a letter of intent soon from Indian Airlines for 12 Airbus A-320 aircraft costing a total of Rs10bn (£405m) to be delivered in 1990-91.

The airline, which is India's domestic carrier, decided at the end of last week to exercise an option for the 12 and is asking the Indian Government for permission to sign a contract. The option formed part of a contract placed two years ago for an initial 19 A-320s to be delivered next year and in 1990 to replace the airline's ageing fleet of 25 Boeing 737s.

The A-320s aircraft will be powered by engines from International Aero Engines, a consortium including Rolls-Royce and Pratt & Whitney.

Following problems in the development of this engine, Indian Airlines has been reviewing its decision to use it for the first 19. But the airline's board is believed to have decided last week to propose to the Government that it should stick to the engine for the complete order.

When the original contract was negotiated in 1985, Airbus Industrie agreed to supply Indian Airlines with 12 Airbus A-300s on lease to help the airline cope with a serious shortage of aircraft until the A-320s were ready. But the Indian Finance Ministry delayed approvals for the leases and there were subsequent shortages of aircraft available on the international leasing market.

So far the airline has received only one Airbus A-300 and two Boeing 737s on lease. But it now expects one more A-300 and five more 737s.

Chinese ruling favours S Korea

BY ROBERT THOMSON, JUST RETURNED FROM QINGDAO

A CHINESE court has ruled in favour of a South Korean shipping company's applications to arrest and auction a Panamanian-flagged vessel, in a decision that foreign lawyers here regard as a breakthrough in Chinese recognition of South Korean corporations.

An initial arrest application was made on behalf of the Seoul-based Sewon Shipping Company by two Chinese lawyers, and was approved by the Qingdao Maritime Court on April 25, although South Korea and China do not have diplomatic relations and Peking supports North Korea's demands for a single Korea under its control.

After the defendant, the Ghama Sentosa Shipping Company of Indonesia, ignored the court's order to pay a guarantee, the South Korean company successfully applied to the Chinese court on May 24 for the public sale of the freighter, Las Salinas. Coincidentally, China also does not have diplomatic relations with Indonesia.

The court-appointed marshal, Ji Guizhi, explained that the auction would be held on June 9 in Qingdao, a northern port, and that creditors, including the South Korean company, must apply to him detailing their claims, which would "be settled in accordance with Chinese law after the auction".

Mr Ji confirmed that the case was the first of its kind, and said that while staff of the South Korean company, owed an unrevealed amount, would probably have difficulty obtaining visas to attend the auction, they could instruct Chinese lawyers to represent them.

The case comes as indirect trade and cultural links between South Korea and China are strengthening, and follows suggestions by Chinese trade officials that formal trade ties are "a matter of time" and unconfirmed reports that the countries are preparing to open trade offices in respective capitals.

A Western lawyer in Peking said South Korean companies using Hong Kong front companies had previously hired foreign lawyers to act on their behalf in trade and investment matters in China, but the Las Salinas case was unprecedented.

Trade between the two countries last year was estimated at around $2bn (£1.07bn), while several South Korean companies are believed to be negotiating investments.

China wary of Vietnamese 'withdrawal'

BY ROBERT THOMSON IN PEKING

CHINA HAS accused Vietnam of "deception" in announcing the planned withdrawal of 50,000 troops from Kampuchea, and called for all Vietnamese troops to be immediately withdrawn.

The Chinese government, which funds and arms the Kampuchean resistance coalition fighting the Vietnamese-backed regime in Kampuchea, is a key actor in the issue and has repeatedly urged the Soviet Union to press Hanoi to pull out.

A Chinese Foreign Ministry spokesman said Vietnam must "withdraw its troops completely and participate directly in negotiations on the question of Kampuchea". He described as "deceptive talk" a Vietnamese proposal to put the remaining 60,000 to 70,000 troops under Kampuchean command.

The Chinese news agency Xinhua released a commentary that described past Vietnamese claims of troop withdrawals as "only rotations" of its forces. "No one is sure that the announced withdrawal will not just be another lie.

"If Hanoi shows no understanding of the times, and attempts to extricate itself from its difficulties by worming its way into the confidence of others with empty words, then its aggressive posture will be further exposed, and its isolation in the international community will be increased," the tough statement said.

Peking is watching the current US-Soviet summit for signs that Moscow will put more pressure on Vietnam to withdraw, as the Kampuchean question is on the summit agenda, and China will want a role in any superpower settlement plan.

China lists Soviet support for the Vietnamese occupation as the most important of "three obstacles" to restoration of normal Sino-Soviet relations. The Soviet role in Afghanistan and the concentration of Soviet troops on the Chinese border are the other two.

Malaysian PM moves to oust chief judge

By Wong Sulong in Kuala Lumpur

A CONTROVERSY has erupted in Malaysia after moves by Dr Mahathir Mohamad, the Prime Minister, to sack the head of the Malaysian judiciary for alleged political bias.

Tun Salled Abas, Lord President of the Supreme Court, confirmed he was summoned by Dr Mahathir on Friday and was told that the king had decided to appoint a tribunal to remove him from office.

Under the constitution, a Malaysian judge can be sacked only if the tribunal, of five Malaysian or Commonwealth judges, finds him guilty of misconduct. This is the first time such an action has been begun in Malaysia and it follows months of tension between the government and judiciary over court decisions that had angered the prime minister.

As a result of a high court ruling in February, Dr Mahathir's United Malays National Organisation was declared unlawful. The prime minister had to form a new party, called New Umno, opening himself to fresh challenges from his opponents.

In March, Dr Mahathir pushed through parliament legislation to place in the hands of parliament certain powers laid down in the constitution as judicial. This led to widespread criticism that he was undermining the independence of the judiciary.

The present status of Tun Sallen is unclear. When confronted by Dr Mahathir, he offered at first to take early retirement, which was accepted. However, on Sunday, the judge withdrew his offer, saying it would be detrimental to the standing of the judiciary and adverse to national interest for him to do so, as "it could be construed as some form of admission." He was confident the tribunal would clear his name.

Meanwhile, Dr Mahathir lost a battle to control part of the massive assets of the old Umno. Supporters of his arch-rival, Tengku Razaleigh, defeated a challenge from the prime minister's nominees for the control of an Umno cooperative which has more than £270m of assets.

Japan offers to cut whisky taxes

BY IAN RODGER IN TOKYO

THE Japanese Government has offered to reduce taxes on imported whisky by more than 30 per cent in some cases, it has been learned.

The offer was made in letters written last week by Mr Noboru Takeshita, the Japanese Prime Minister, to Mrs Margaret Thatcher, the British Prime Minister, and Mr Jacques Delors, president of the European Commission.

The offer goes some way to reducing the gap between taxes on premium whisky and local Japanese spirits or shochu, but the gap would still be about 10:1, according to Western sources in Tokyo. This would not meet the requirement of a Gatt disputes panel report last year which called on the Japanese Government to reduce the gap to a "de minimis" level.

The UK and other European governments, together with the EC and the spirits industry, are now trying to agree on a common response to the Japanese offer. Western sources in Tokyo said the offer was certainly a positive one and had to be considered seriously, especially as it came from Mr Takeshita personally. However, it was troublesome to deal with.

From a commercial point of view, imported whisky producers, wanting to maintain a prestige image on their products, would probably fare well in the Japanese market even if they have to face a discriminatory tax of that magnitude. On the other hand, the benefits of premium pricing should in principle be available to the suppliers rather than to the Japanese Government.

Also, the Gatt obligation is clear, and European governments are dismayed that the Japanese, after more than a decade of negotiations on this issue, have given no indication of when or how it will be met.

Stefan Wagstyl visits a town in the shadow of Mount Sakurajima

Lifestyles under a volcano

THE BEST advice to people living at the bottom of an active volcano might be to remember Pompeii. But experts meeting in Kagoshima in southern Japan at an international volcanoes conference this summer will be studying ways of making life at the foot of a volcano more enjoyable and profitable.

Sitting in the shadow of Mount Sakurajima, a live volcano which belches out smoke and ash over Kagoshima every day, the volcanologists will consider topics such as "promotion of fishery, commerce and industry in volcanic regions" and "making the most of volcanic resources." To outsiders these ideas might seem perverse.

But the agenda highlights the curious love-hate relationship which the people of Kagoshima have with Mount Sakurajima.

"Mount Sakurajima is like a father to us," said Mr Yoshinori Akasaki, the mayor of Kagoshima, in a recent interview. "We might complain about it a lot but life would be poorer without it."

The volcano is a spectacular sight, a 1,000-metre cone of grey rock overlooking Kagoshima from across a narrow bay. It has erupted about 100 times this year already.

In 1985, a record year, there were 454 eruptions. Whenever the wind blows from the east, the city is showered with a fine grey dust which covers streets and open spaces. Sometimes, the ash fall is so bad that traffic grinds to a halt because drivers cannot see.

Occasionally, rocks like large hailstones drop on the city of more than 500,000 people. Life is hardest for the 8,500-odd inhabitants of the Mount Sakurajima peninsula itself.

Children wear plastic crash helmets to and from school and residents regularly carry umbrellas to keep the volcanic ash out of their hair. Fruits growing on trees are individually wrapped in paper to protect them from the dust, which hangs in the air in most parts of Sakurajima.

Here the volcanic hailstorms sometimes bring rocks raining from the sky – such as a burning boulder which crashed into the Hotel Yamashitaya in 1986, injuring five people.

Families living nearest the volcano were last year offered the chance to resettle in Kagoshima city – but 29 out of 49 households decided to stay.

"They are farmers," says Mr Fumikata Hashimoto, an official of the Kagoshima prefectural government. "They said they did not want to leave their land."

The residents of Sakurajima are as committed to their homes as people living elsewhere. Professor Kosuke Kamo, a volcanologist who has been watching Sakurajima for 38 years, said: "The volcano was here first. People came later."

Settlers were probably attracted by the fertile soil, which is refreshed by ash and lava, and the natural harbour of Kagoshima bay which protects fishing boats, says Professor Kamo, director of an observatory run by Kyoto University.

The residents today are not afraid of the volcano because life-threatening eruptions of Mount Sakurajima come only once every 100 to 300 years.

"Two or three generations of people don't know disaster," says Professor Kamo. The last huge eruption was in 1914, when 80 people were killed, all of them drowning in trying to swim across the bay to Kagoshima.

The flow of rock and lava was so great that it filled a strait separating the volcano from the mainland turning Sakurajima island into a peninsula. An eruption in 1946 brought a fresh flow of lava – but no deaths or injuries.


Mount Sakurajima belches ash over the city of Kagoshima

Professor Kamo says the dangerous eruptions are not the constant explosions at the summit – which bring smoke and ash – but blasts in the flanks of the volcano, which might cause molten lava to flow. A potentially-dangerous eruption can be predicted with "100 per cent accuracy, but not its precise timing," he says.

The professor, who himself lived on Sakurajima until moving to Kagoshima a few years ago, has no fears for the local residents. He says he feels far safer living near Sakurajima than he would in Tokyo, which lies in the middle of an earthquake zone.

"With a volcano you have time to predict it and go to safety. An earthquake is a short-lived event. You cannot save yourself."

Taiwan Congress to stress democracy

BY BOB KING IN TAIPEI

THE 13th national Congress of Taiwan's ruling Nationalist Party will for the first time in its history of more than eight decades stress the issue of democracy, rather than revolutionary nationalism, as its top priority when it convenes on July 7.

The Congress will also, however, probably be the scene of heated debate for the first time, as it is by no means certain that a consensus exists inside the party for many of the major points on the agenda.

Mr Raymond Tai, director of the party's cultural affairs committee, told reporters that business at the Congress would cover five main topics:

● Theory and practice of the "Three Principles of the People", the Nationalist credo, stressing Taiwan's move toward democracy, more equal distribution of wealth, and unification with China. Previously, nationalism, the first of the "Three Principles", was the subject topping the agenda.

● Revision of the party platform, which Tai predicted would differ significantly from the previous one in both content and style.

● Review and revision of the party charter as well as the constitution.

● Policy toward mainland China, which for the first time could stress unification of people, rather than just territory. This topic presumably will concern itself with the still ticklish problem of further opening personal contacts and visits between both sides of the Taiwan Straits.

● Party reform, a programme launched by former President Chiang Ching-kuo, which will attempt to further separate the functions and responsibilities of party and state.

More than 1,200 delegates to the Congress will also hear reports on political reform, party and foreign affairs, and national defence.

They will also elect new members to the Central Committee and the more powerful Central Standing Committee, which meets once a week to resolve day-to-day affairs.

But it is fairly certain that this Congress represents far more than previous rubber-stamp affairs in which delegates more or less unanimously endorsed previously-decided policies.

India in Sri Lankan talks on withdrawal

MR K.C. PANT, the Indian Defence Minister, held talks yesterday with Sri Lankan Government ministers about a phased withdrawal of more than 50,000 Indian troops from the island, AP reports from Colombo.

Mr Pant was reported to have told Sri Lankan officials that the withdrawal should depend on "ground situation," meaning the state of the Tamil guerrilla separatist campaign.

"It is a complex issue, we are going to discuss more on Tuesday," one Indian official said.

Mr Pant, who arrived in Colombo yesterday on a three-day visit, was to meet Mr Junius Jayewardene, the Sri Lankan President, today.

The Sri Lankans told Mr Pant that the Indian troops should take stronger steps to crush the Tamil guerrilla war in the north and east of the island.

Mr Pant met Mr Gamini Dissanayake, the Land Minister, and Mr Lalith Athulathmudali, National Security Minister.

The soldiers have been deployed in northern and eastern Sri Lanka under an India-sponsored peace plan aimed at ending the five-year Tamil separatist war.

Tamil rebels renounced the plan last autumn and the soldiers moved in to disarm them. India sponsored the plan because of the sympathies of its own 60m Tamils for the rebel cause.

Tamils constitute 18 per cent of Sri Lanka's 16m people. The rebels claim Tamils are discriminated against by the majority Buddhist Sinhalese community, which controls the military and the Government.

Hyundai plants halted by workers seeking pay rises

HYUNDAI Motor, South Korea's largest car maker, halted production yesterday as 20,000 workers went on strike demanding higher wages, AP reports from Seoul.

Meanwhile, another subsidiary of the Hyundai group, Hyundai Precision and Industry, remained closed for the fourth consecutive day.

Hyundai Motor said its assembly line in Ulsan on the southeastern coast was closed after more than 80 per cent of the union's members voted to strike to press their demands for wage increases.

The vote was taken on Saturday after seven rounds of management-union talks failed to solve the dispute, which began on May 18.

The company said the strike would cost it an estimated 14bn won ($18m) a day.

The union is seeking an average increase of 48 per cent or 134,000 won in monthly earnings excluding bonuses. The management has offered 25 per cent.

Hyundai workers with five to six years experience now earn about 600,000 won a month, including bonuses and other allowances.

At Hyundai Precision and Industry on the south coast, about 2,000 workers continued their strike demanding higher wages and improved working conditions.

Hyundai Precision said the striking workers were preventing about 10 company executives, including the chairman, Chung Mong-ku, and president, Yoo Ki-chul, from leaving their offices. But union leaders said the executives "remain here of their own will to solve the dispute."

The officials could not be reached by phone.

SHIPPING REPORT

Market continues trend of underlying strength

THERE WAS little movement in rates in the tanker market last week, but brokers said the underlying strength of the market was reflected in a steady flow of inquiries, reports Kevin Brown.

This was in contrast to the dry cargo markets, where the tone for Panamax tonnage remained bearish as rates followed Biffex downwards.

Brokers said charterers were taking the opportunity provided by the absence of Soviet demand to depress the volatile Panamax rates.

The key US Gulf-to-Japan rate fell to $21.50, while the Gulf-to-Continent trip was commanding about $11.50 and the Pacific to Japan voyage about $13.50.

Galbraith's, the London broker, said the lack of demand in the dry cargo sector could begin to affect the tanker market soon, as combination tonnage switches into oil transport.

Some brokers said only a small increase in demand would lead to a rise in rates. However, the closure of both London and New York markets for public holidays yesterday made this appear unlikely in the short term.

Japanese charterers provided the main source of demand in the Middle East Gulf, where rates for cargoes of about 240,000 tons varied between Worldscale 37 and Worldscale 39.5 for the VLCC trip to the Far East.

There was also some demand for the longer trip to the west, and French charterers concluded a 270,000-ton cargo to France at Worldscale 33.5.

Elsewhere, demand for ships of the 120,000/130,000-ton class helped rates climb back to about Worldscale 60 in West Africa, which brokers said continued to be the most rewarding area for owners.

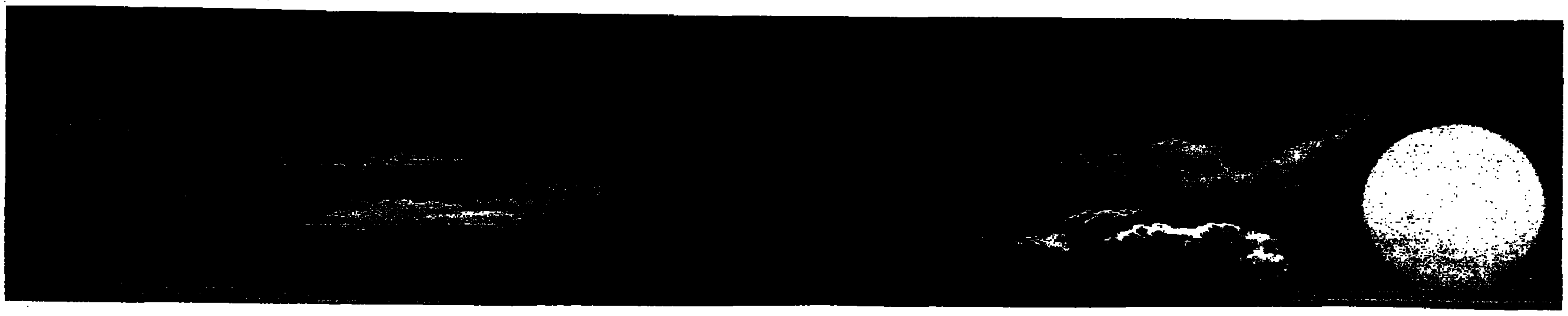
Japanese housing starts edge up

JAPANESE housing starts, which have been one of the main forces behind the strong economic growth of the past year, rose only 2 per cent in April over the previous month to 140,929 units, writes Ian Rodger in Tokyo.

It was the first time in nearly two years that the growth rate was less than 10 per cent, confirming many economists' forecasts that this source of stimulus is disappearing.

Owner-built houses dropped 12.9 per cent to 45,267 units, while houses for rent went up 6.9 per cent to a total of 68,921 units.

Housing for sale surged 25 per cent to 35,332 units.



HOW LONG CAN YOU GO WITHOUT SLEEP?

Flying all the way to Australia can be a real pain down under. The seats in an aeroplane – whatever some airlines might claim – hardly resemble your bed. And the cabin certainly doesn't compare with your bedroom. When you ought to be fast asleep at home, you'll be high above The Persian Gulf and the sun will be streaming in through the windows.

And by the time you actually get to Australia you'll have passed through 10 time zones and your internal clock will be all over the place.

So the problem isn't simply not sleeping on the 'plane, it's not sleeping once you're off the 'plane. And then what condition will you be in to do business?

IF YOU CAN'T SLEEP RELAX

There's no point losing sleep over not sleeping. Not many people can sleep on a 'plane – at least not the deep sleep they need to feel refreshed. But being able to relax is the next best thing. You may then be able to take a number of short naps, or just to switch off.

You can give yourself a head-start by checking in at the airport early. Then you can choose the seat you prefer – by a door for instance, or the aisle. (If you're flying Qantas First or Business Class you can choose your seat in advance, on the phone. And when you get to the airport, you can relax in the Club room until your flight is called.)

Once you're on the 'plane, there are a number of things you can do, some of which you probably do already.

Wear loose-fitting clothes. Take off your shoes and wear slippers, since feet and ankles swell during flight. (Qantas provide slip-overs to save your socks from the cabin, and possibly to save the cabin from your socks. We also give you a shoe-horn to help you get your shoes back on once you've landed.)

Take some exercise: do a few isometrics in your seat and stroll around the cabin from time to time.

Read or listen to music until you start to drop off. Then watch the movie. (That should do it. While Qantas get the most up-to-date films, we can't predict their snooze rating.)

Socialise; or better still, travel with someone. (Although jet lag tests have shown the benefits of having a travelling companion, there is as yet no scientific proof that taking your secretary is essential to corporate health.)

COMFORTABLE OR COMATOSE?

On a long flight, it's understandable to want a drink. Drinks are on the house – or rather, the 'plane – and being on a 'plane itself makes you thirsty – the humidity is about 2%, whereas on earth it's at least 30%, unless you live in a desert.

But don't drink too much alcohol. Two drinks at high altitude are like three on the ground. You might knock yourself out, but later you'll feel as though you've gone fifteen rounds with a heavyweight.

If you have to have some alcohol, take it easy and drink lots of water or fruit juice. (If you do permit yourself a glass or two, nobody offers you a better choice than Qantas. After all, our wines have just been voted the best in the air by Business Traveller Magazine.)

Avoid fizzy drinks if you can: the natural gas in your stomach has already been increased by the decrease in air pressure and it's hard to expand when you've got wind.

Also avoid gassy foods, like beans and onions. In general, be choosy about what you eat and when you eat it. The stomach isn't really up to eating a three course meal when its own clock says it's four in the morning.

At Qantas, we prepare special menus for Business and First Class using fresh produce, never frozen. In First Class, there's always a specially trained Air Chef.

But we realise that on long flights most of us eat as much out of boredom as hunger. So if you don't feel like eating, or you leave some of your meal on the Wedgwood, we won't be insulted.

And if you do get to sleep and don't want to be disturbed, we won't disturb you.

DOES FLYING WITH QANTAS MAKE ANY DIFFERENCE?

We think so, but then we would say that, wouldn't we?

(In a recent airline poll conducted by Australian Business magazine, frequent Australian business travellers voted Qantas top in both First and Business Class – ahead of

Singapore Airlines (2nd),

Cathay Pacific (4th),

and British Airways (10th).

But then they would say that, wouldn't they?)

However, we do fly more people to and from Australia than any other airline. And we've been flying longer flights longer than any other airline. (In fact, after KLM we've been flying passengers longer than anybody, and we were the first to offer a separate Business Class.)

So we think we've picked up a thing or two, not just about flying, but about flying long distances, and you can rest assured we do everything we can to help you rest at ease.

For example, on the upper deck in Business Class you get two seats to a row with 38" between headrests in the upright position. In First Class, the seats are the nearest you'll get to a bed. (You pays your money. . . .) In both classes, the all-wool blankets and the linen pillows are the largest in the sky.

And though it's hard to be objective about service we believe ours is friendly and efficient, as you might expect from Australia's national airline. While some of you might temporarily miss an oriental Miss, our cabin crew more than compensate with their common sense, conversation, sense of humour and knowledge of the cricket scores.

Of course, you can only agree with us if you try Qantas for yourself.

Until you do, why not sleep on it?

Some of the details apply to First and Business Class only.

QANTAS Business Travel. Big on creature comforts.

Output expected to rise despite export slowdown

BY RALPH ATKINS

THE STRENGTH of the pound is slowing British export growth, but UK industry still expects its output to grow strongly in coming months, according to the latest industry trends survey published by the Confederation of British Industry, the employers' organisation.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said the survey provided "further confirmation that there is little threat to inflation and that the economy shows no sign of overheating."

In its May survey of UK industry, the CBI says export order books are weaker than earlier this year. However, price rises are moderating as competitive pressures increase.

Small companies have been worst hit by the rise in sterling, the CBI says. In contrast the largest companies, with more than 5,000 employees, report that foreign demand has been sustained – probably reflecting their ability to protect themselves against exchange rate fluctuations.

All sectors of industry expect output to rise, the CBI says. The biggest increases are expected in motor vehicles and among the largest companies.

The survey of 1,500 companies finds that prices in the domestic market are expected to rise at a slower rate than indicated in previous surveys. Of the companies questioned, 33 per cent said they expected to raise domestic prices in the next four months. 71 per cent expected to maintain prices at existing levels and 5 per cent forecast price falls.

Mr Wigglesworth said output was keeping up with the strong growth in demand in the economy. The moderation in price rises reflected the continued severity of competition in home as well as export markets.

The CBI says there is little evidence that capacity constraints inhibited output growth in the early part of this year. The strength of investment spending and intentions indicate sufficient capacity to meet future growth.

The rate of increase in unit labour costs may have fallen since the end of last year but the CBI says the continuation of low rates depends on the ability of companies to finance pay increases through higher productivity.

Stock levels in May declined slightly in relation to demand. Total order books are reported to be above normal by 33 per cent of companies and by 12 per cent as below normal.

Asked about export order books, 25 per cent of companies said the level was above normal and 21 per cent said they were below usual in May. The balance of +4 per cent compares with balance of +12 per cent and +11 per cent in February and March respectively.

Output is expected to increase in the next four months by 40 per cent of companies while 6 per cent expect a fall. The balance of +34 per cent is broadly in line with comparable figures for February and March.

Snail breeders ooze a slow trail to market

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

REPRODUCING the climatic conditions of the Cameroons inside a redundant cowshed was a tricky process.

But breeding the livestock for his agricultural venture caused no difficulties at all for Mr Graham Pinkney of Hall Farm, Daventry, in the English Midlands. "They're hermaphrodites, you know. They mate, wander off and lay two or three hundred eggs each," he says.

Fully stocked, his 18ft by 20 ft byre should accommodate 100,000 head yielding about 4 tonnes of meat a year.

His Achetina tropical snails seem happy enough in their curious environment, although the first batch of babies, born in December, has been making sluggish progress.

They have missed their April appointment with the cooking pot and are still not fat enough for transformation into *mousseline des escargots Salazar*, *escargots bourguinonne* or *montagne noire*.

Snail farming is in its infancy in Britain and, as it were, teething troubles are only to be expected. But Mr Pinkney oozes confidence. With annual UK consumption standing at 50 tonnes a year, ex-shell, there is clearly room for improvement. "There's a market and we can produce them, so between the two there's money to be made," he says.

His 60 colleagues in the newly-formed Britsnail gastropod growers' co-operative seem to agree. Although only 30 of them have so far gone into production, they are already negotiating to buy a Welsh seafood processing company to add value to their output.

A recent trade showing of their range of prepared dishes roused considerable interest among caterers and brought calls from France, Belgium and the Netherlands.

Escargots nouveau riche – snails, bacon, cheese and mustard in a scallop shell – and the *Salazar mousseline* of puréed snails, spring onions and spinach, promised to prove the fastest movers at prices ranging up to £12 for a pack of 50 snails.

The better-known European helix snail is also being farmed in Britain and is popular with some breeders because of its undemanding lifestyle. If grown free-range in the great outdoors, however, the final snail round-up can be tricky and the stock needs to be purged before scalding because the farmer cannot be sure they have not been grazing on magic mushrooms – so called for their hallucinogenic effects – or other undesirable substances.

Safely contained in plastic buckets, each with its own equatorial microclimate, and fed on a mix of roughage, calcium and protein meal, Mr Pinkney's cowshed broiler snails offer no such problems.

The main difficulty has been the creatures' persistent habit of growing the wrong sort of shell.

Achetina lives in an elegant cornet, unfamiliar to consumers and impossible to grasp with conventional escargot-eating tackle.

Britsnail got round the problem by negotiating the rights to an oven-proof advanced plastic shell which has the added advantage of not disintegrating in the dishwasher.

Having attracted the attention of the food trade, Britsnail is now preparing for its debut at agriculture's premier event at the Royal Show this summer.

It will probably prove quite a draw among the posh bowler hat and brogue shoe set – more accustomed to ogling £50,000 bulls than £5 breeding snails – but it is unlikely to win any prizes.

Escargot judging has yet to make its mark in Britain. Despite its proficiency with high-tech plastics and climatological manipulation, the infant industry has yet to find a place on the snail where a judge can safely pin a winners' rosette.

Water chiefs split over single sell-off

BY RICHARD EVANS

LEADERS OF Britain's water industry are split over proposals to privatise all 10 water authorities in England and Wales simultaneously rather than in batches.

The Water Authorities Association, which represents the authorities, advocates a simulatenous sale, as do some individual authorities.

Most authority chairmen, however, are not convinced that a satisfactory method of simultaneous flotation can be found. They believe they are being forced prematurely to commit themselves to a single, massive sale of the £27bn industry.

Critics of a simultaneous sale in the form presently proposed include Mr Roy Watts, chairman of Thames water and Mr John Bellak, chairman of Severn-Trent, the two most profitable and powerful of the authorities.

Each is determined that their authority should be sold separately and retain its own identity from the outset of privatisation.

Kleinwort Benson, the merchant bank which advising the WAA, proposes that all 10 authorities should be sold in common, and that a market in the separate shares should be allowed to develop later.

Neither Mr Watts nor Mr Bellak accepts this. Nor do at least four other chairmen, all of whom are confident of a succssful flotation.

The group believes that the impetus for a simultaneous float comes only from authorities like Yorkshire and North West which have higher debts and more problems than the others and who thereby fear they might not receive a favourable market response in separate flotations.

Mr Watts has told the other chairmen he is prepared to go along with simultaneous flotation only "if my authority is sold separately from other authorities, with its own identity, its own price and its own shareholders from the outset . . . unless these requirements are fulfilled I would stand alone."

The decision on methods will be taken by Mr Nicholas Ridley, Environment Secretary. He has seemed to favour of selling the authorities in batches, but has said he will accept simultaneous flotation if a satisfactory method can be found.

Accountants boosted by consultancy fees

BY RICHARD WATERS

LAST year marked a watershed in the reliance of the largest accountancy firms on their management consultancy arms, according to the 1987 results of seven of the eight largest firms.

Slow or even non-existent growth in the numbers of partners in some top firms also suggests that they have focused sharply on profitability after several years of bouyant income growth.

Arthur Andersen has become the first firm to generate more fees from consulting than traditional audit and accounting operations. Management consultancy brought in £43m of the firm's £113.4m fees in the year to 31 March, compared with the £38.5m earned in what were previously its core business areas.

Price Waterhouse and Arthur Young saw their reliance on audit and accounting slip below the pschologically important 50 per cent level for the first time. And Touche Ross and Deloitte Haskins & Sells looked to auditing for just over half of their fees.

This results from continuing dramatic rates of growth in all firms' consultancy departments, against far more modest development in the largely static audit market.

Arthur Andersen, Price Waterhouse and Deloitte Haskins & Sells saw the gross income of their consultants grow by more than 40 per cent, while Touche Ross's consulting arm leapt 75 per cent to £28m, partly through merger.

On the audit side, only Peat Marwick McLintock managed growth of over 20 per cent, with Touche Ross, Arthur Andersen and Arthur Young all seeing this part of their business expand by less than 15 per cent.

In aggregate, the big accountancy firms grew at between 20 and 29 per cent – an unexpectedly buoyant outcome given last autumn's stock market crash.

The firms are not obliged to report their profits, making the volume of fees earned for each partner in the firm the strongest indicator of their bottom line.

This grew sharply in some cases, most significantly at Deloitte Haskins & Sells. Its fee/partner ratio grew 27 per cent

Full details Page 13

Fraud in UK companies 'still runs at £5bn a year'

BY ALAN CANE

FRAUD in UK companies still runs at about £5bn a year, according to the accountants Ernst & Whinney, despite the widespread introduction of preventive measures.

Its latest annual survey, published today, confirms that most managers believe that the incidence of fraud in Britain has risen over the past five years and that the financial services and retailing sectors are most at risk.

Of frauds uncovered during the past year, almost half were committed by managers. Two in five of those companies placed responsibility at management level.

Nevertheless, most companies say fraud is not a serious problem

Open Software FOUNDATION

The Facts

A truly open software environment would allow business to harness the power of computers, regardless of their size or manufacturer. That's why we have formed the Open Software Foundation—to make this environment a reality.

The Principles

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- Timely, vendor-neutral decision process
- Early and equal access to specifications and continuing development
- Hardware-independent implementations
- Reasonable, stable licensing terms
- Technical innovation through university/research participation

The Opportunity

Join us in realizing the vision of a truly open and advanced system environment...one based on international standards, POSIX and X/Open specifications. As a member of the foundation, you will have the opportunity to lead and shape the future of the computer industry. For additional information, write to us at: OSF, Box 545, Billerica, Massachusetts 01821-0545.

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Investment firm chief challenges SIB intervention

BY DAVID BARCHARD

MR PETER CLOWES, chairman of James Ferguson Holdings, a textiles and financial services group, said yesterday he was seeking legal advice over a provisional liquidation order served on its subsidiary Barlow Clowes Gilt Managers on Friday evening. He is hoping to secure a court injunction to lift the order.

He said: "The board of BCGM strongly disputes that the SIB is justified in taking this action and is taking urgent advice on how to seek redress."

The liquidation order was served at the request of the Securities and Investments Board, the City watchdog. On Monday of last week, SIB served notice on BCGM banning it from investment business of any kind.

According to Mr Clowes, the SIB claimed as its justification for intervening that the firm's accounting records and systems were inadequate to protect investors and that information received from the Investment Management Regulatory Organisation suggested that BCGM's books contained serious shortcomings.

IMRO is the body mandated by SIB to oversee the work of investment management organisations and bring any serious irregularities by them to its attention.

Mr Clowes said: "BCGM has always maintained properly segregated client accounts and on Monday, May 23 1988, the directors of BCGM satisfactorily completed a full reconciliation of clients' balances with assets held.

"There is no question of insolvency with BCGM. The firm is solvent. We have assets in excess of £750,000 and liabilities of £500,000."

He said that in the middle of last week the board of BCGM had sought permission from the SIB to repay all its clients in full. BCGM would then have remained out of the market until it had satisfied the regulatory authorities that it was in a position to return.

The offer was rejected by the SIB on Friday morning, Mr Clowes said.

BCGM was set up in 1973 as a licensed dealer in securities, specialising in the gilts market, claiming to use sophisticated computer techniques for market analysis.

It was acquired by James Ferguson Holdings in March last year. In November the Department of Trade and Industry appointed inspectors under Sections 105 and 106 of the Financial Services Act to investigate its business, but the company said yesterday that it was not aware whether the investigation had been completed.

Subsequently, BCGM applied to join IMRO, a requirement of the Financial Services Act, indicating that it had been the object of a DTI investigation. It was later visited by the IMRO inspectors whose report seems to have led to last week's SIB action.

Mr Clowes said last night: "I will not rest until I have done everything possible to secure the return of our funds to our clients and know what the real reasons are for what has been done."

Co-ordination on City's horizon

Clive Wolman on the high hopes for the new chairman of the SIB

MR DAVID WALKER, the Bank of England director, today takes over as chairman of the Securities and Investments Board and chief regulator of the new investor protection framework amid City expectations of an important policy shift.

The decision not to renew Sir Kenneth Berrill's appointment after his first three-year term expired was taken jointly by Mr Robin Leigh-Pemberton, Bank of England Governor, and Lord Young, Trade and Industry Secretary, in response to mounting criticisms of the SIB and its rule book last autumn.

Mr Leigh-Pemberton, in particular, and other senior Bank officials have pinned high hopes on Mr Walker as a reformer, although Mr Walker himself has kept a low profile since his appointment was announced three months ago.

He is expected to spend his first few weeks studying the issues and receiving the scores of lobbyists from the financial services industry who have been eagerly awaiting his arrival.

Because of Mr Walker's dual responsibilities, Bank officials expect the institution to have much more influence over the SIB than in the past and for much greater informal co-ordination to develop between the two.

Over the last two years, the Bank has been caught on the hop several times for failing to anticipate how the SIB rules and the new regulatory regime would affect some of its traditional areas of jurisdiction. The bluntness of Sir Kenneth and his lack of background in City banking added to the tension between the two bodies.

Now Bank officials expect that, in spite of the far-reaching powers granted to the SIB and a shrinking of many of the Bank's areas of authority, it will retain its position as the City's most powerful public body and that the SIB will implicitly acknowledge its standing in the areas of mutual interest.

The Bank and most City practitioners are hoping for two more specific but important changes in the regulatory structure. One is the repeal of section 62 of the Financial Services Act, which makes an authorised investment firm liable to pay damages for any losses caused to its clients as a result of a breach of the rule book of its self-regulating organisation (SRO).

The other is the complete redrafting of the SIB rule book, which serves as a benchmark by which the level of investor protection afforded by the SRO rulebooks has to be judged. The suggestion endorsed by leading Bank officials is that the SIB rule book should confine itself to stating general principles rather than detailed provisions, giving more discretion to the SROs.

Section 62 has acquired a symbolic importance, and the practitioners' fear of legal action against them emanating from the section has been responsible for most of the legalistic detail of the SRO rule books. However, several lawyers have argued that section 62 does little more than codify pre-existing common law rights.

It also remains doubtful whether the repeal of the section and the redrafting of the SIB rule book would reverse the trend towards US-style legalism; the whole financial services industry has become much more litigious over the last five years.

Although reform of the existing laws and rule books is the most controversial issue facing Mr Walker, most of his time is likely to be devoted to organisational matters.

The SIB is in the process of transforming itself from a rule maker to an enforcement agency concerned primarily with case work. It received its formal powers only at the end of last month and is still busy recruiting officials to monitor compliance with the new framework and to take action against suspected delinquents.

The SIB's ability to judge correctly when it should shut down or penalise a firm for breaches of the act will undoubtedly be put to the test several times before the end of the year.

Because of the rapid changes and ever-expanding scope of the investment industry, the SIB rule book, in spite of its length and complexity, still contains several important gaps that Mr Walker will have to fill. Three of the contentious issues coming up on the SIB's agenda over the next few months are:

David Walker: Picked out as a reformer by the Bank

- The disclosure of life assurance expenses, about which a report commissioned by the SIB from Peat Marwick McLintock, the accountancy firm, is being considered.
- Estate agents' conflicts of interest, arising from the increasing commissions they receive for selling endowment mortgages and other insurance to house buyers while continuing to act as the agents of the sellers.
- The ability of the Stock Exchange and other investment exchanges to restrict competition from share price information vendors such as Reuters.

Small business groups link to seek poll tax changes

BY JOHN HUNT

A LOWER LEVEL of rates for small businesses is being sought by the Forum of Private Business and the National Federation of Self Employed when the Government's proposed community charge, the so-called poll tax, comes into effect.

The two organisations, together representing 60,000 small companies, have joined forces in an attempt to ensure that their members are not penalised by the community charge.

They have proposed amendments to the poll tax legislation which will be pressed with all-party support during the committee stage in the House of Lords next week.

Mr Bernard Juby, chairman of the policy unit of the NFSE, said their proposals would soften the impact of what might be a "financial disaster" to many small businessmen.

Mr Stan Mendham, director of the FPB, said urgent action was necessary to avert a crisis.

The organisations are proposing that for small businessmen there should be a special rate fixed at 70 per cent of the standard business rate.

They say that is necessary to redress the imbalance that exists between the rates burden for big business and that for smaller concerns. They say big businesses pay between 1 and 5 per cent of their pre-tax profits as local authority rates. The figure for small businesses is 15-25 per cent.

At the moment, small businesses pay a lower rate of corporation tax than big businesses. The two organisations see no reason why there should not similarly be a lower national non-domestic rate for their members.

They are also pressing for any rate increases for small businesses under the new system to be limited to 10 per cent.

During the Commons debates on the legislation, there were government suggestions that the transitional period for the business rate could be five years or more. Peers sympathetic to small businessmen will now be pressing for specific undertakings on that.

● A Scottish Labour MP yesterday called on the party to spearhead a "non-payment" campaign against the community charge, which is due to be introduced in Scotland next year.

Mr Dennis Canavan, MP for Falkirk West, said the success of the campaign against poll tax hinged on stepping up extra-parliamentary action, after the defeat in the Lords last week of an amendment seeking to link the tax to ability to pay.

Key housing scheme inquiry about to open

BY ANDREW TAYLOR, CONSTRUCTION CORRESPONDENT

ONE OF the most important housing planning inquiries to take place in Britain is due to start tomorrow in the small town of Fleet in Hampshire. It occurs against a background of mounting concern over government attitudes towards housing developments in the countryside of south-east England.

The public inquiry is into plans by Consortium Developments, representing nine of Britain's biggest private house builders, which wants to build 4,800 homes on 700 acres of former gravel pits at Bramshill, north Hampshire.

The plans, rejected last year by Hart District Council, have provoked strong opposition from local residents and from some Tory MPs who fear the Government may be considering approving a series of new-style country towns in the south-east.

Their fears have been fuelled by recent speeches by Mr Nicholas Ridley, the Environment Secretary, who has given warnings that the south-east will need a further 610,000 homes by the year 2001 just to cope with the growing demands of the existing population. He criticised residents who, having bought homes in the south-east, want to stop others.

The consortium has called its Bramshill development Foxley Wood after John Foxley, a 14th-century landowner who once owned the site. It is one of at least five big housing schemes proposed for a small triangle of land straddling the borders of Berkshire and Hampshire between the M4 and M3. Several of the developments have gone or are already destined to go to a public inquiry.

Other proposed schemes, according to planners at Hampshire and Berkshire county councils, include: 2,000 homes by Charles Church at Hook; 1,700 homes by Bryant Homes at Eversley; 3,000 homes by a consortium of Charles Church, Bryant Homes, McAlpine and Rockhold at Spencers Wood; and 4,000 homes by Speyhawk near Grazely at Great Lea.

Foxley Wood is one of four country new towns proposed by Consortium Developments. None has so far received planning permission. The consortium consists of: Barratts, Beazer, Bovis, Ideal Homes, John Laing, Y.J. Lovell, Tarmac, Wilson Connolly and George Wimpey.

Other developments proposed by the consortium includes a 3,000-home new town at Wilburton near Cambridge and a 5,000-home development called Stone Bassett close to Oxford.

The decision whether to allow a scheme to go ahead after a public inquiry rests with the Environment Secretary, who may override an inquiry inspector's recommendations.

Early last year Mr Ridley rejected an appeal by Consortium Developments to build a country town for 15,000 people at Tillingham Hall near Grays in Essex. He did not, however, rule out the possibility of future country towns in the south-east.

At the Fleet inquiry the consortium is expected to argue that shortages of private homes in north Hampshire and surrounding areas have pushed house prices beyond the means of many local people.

It says the gravel pits at Foxley Wood, previously operated although not owned by English China Clays, are not an area of outstanding beauty or scientific interest. It says its development would improve facilities in the area by providing 400 units of "social housing", two primary schools, two community halls, a leisure centre and entertainment hall, a health centre for six GPs as well as a 44-acre nature reserve, 250 acres of woodland, water park and open space and sites for a church, fire station and secondary school.

Local residents and councillors say the beauty and tranquillity of their neighbourhood would be destroyed by the development, which would attract further immigration to the area, putting an even greater strain on local infrastructure.

Importers of Yugo and Dacia vehicles combine

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

ZASTAVA (GB) and Dacia Concessionaires, respectively the UK importers of Yugo cars from Yugoslavia and Dacia light commercial vehicles from Romania, are merging key management functions, after the acquisition of dominant stakes in both companies by Mr Paul Stoddart, an Australian entrepreneur.

Mr Stoddart, who started the UK's first auction of salvaged cars near Birmingham in 1986, acquired an 80 per cent stake in Dacia Concessionaires for £1.6m in February and purchased a 46.23 per cent holding in Zastava (GB) for £2m in March, working through Burntwood Development, a holding company in which he controls an 80 per cent stake.

Mr Stoddart said yesterday that he plans to increase his holding in Zastava (GB) to 60 per cent by the end of the year.

Before coming to the UK in 1986, Mr Stoddart had been engaged in Australia for 13 years in car salvage and auctions, as well as in the retail and wholesale motor trade in Sydney and Brisbane.

Vehicle and parts distribution, and pre-delivery preparation and inspection of Yugo and Dacia vehicles are to be combined. The Dacia Concessionaires main office will be relocated to Reading, adjacent to the Yugo head office.

Yugo last year sold 8,458 of its 311 and 45 model ranges – which were originally derived from the Fiat 128 and 127 – but Mr Stoddart said the company was aiming to increase sales to 11,000 units this year.

Dacia imports the four-wheel-drive Duster and Shifter 1-tonne pick-up trucks from Romania. It sold only 800 units last year, but plans to increase sales this year to 2,000 units.

UK NEWS

David Thomas reviews a seminar held to consider educational shake-ups in the future

New right seeks flexibility in school reforms

THE RADICAL right is thinking hard about the *next* round of school reforms even before the huge Education Reform Bill has reached the statute-book.

The thrust of its concerns emerged from a seminar in London last week jointly hosted by the Centre for Policy Studies, the right's think tank, and the Manhattan Institute, its counterpart in New York. The seminar assembled leading educational reformers from both sides of the Atlantic.

British participants drew on the US experience to voice unease over key aspects of the Government's programme in the presence of Professor Brian Griffiths, head of Mrs Thatcher's policy unit.

Dr Sheila Lawlor, CPS educational expert, summing up the seminar, said: "We must think about education in a new way. . . What schools need is greater autonomy and flexibility."

In particular, the British are sceptical about the new national curriculum, a centrepiece of the reform bill. They fear that by laying down in detail what schools must teach, central government will stifle initiatives from parents and teachers.

The US message resonated with their fears. US participants said the cutting edge of educational reform in the US no longer came from initiatives from federal or state government but from a host of experiments at school level.

Such a community-level outlook will draw sustenance from a study of what makes effective schools, to be published in the autumn by the Brookings Institution, a US research body.

Mr John Chubb, its author, told the seminar that successful US schools were marked by staff agreeing goals, by clear leadership from heads and by teachers accepting responsibility for meeting school goals.

In short, a good school acts like a team, while a poor school performs like a bureaucracy, with weak leadership, dissent about objectives and refusal to take responsibility.

So far, so platitudinous, but the political beef comes from Mr Chubb's finding that the way to create a good school is to free it from outside interference – whether from meddling politicians or from teacher unions defending members.

"The schools that developed team-like organisations were those that operated without constraints on a host of things from curricula to personnel," Mr Chubb concluded.

Mr Albert Shanker, another US participant, described experiments designed to encourage grassroots initiatives. For example:

● In the Miami area, schools entered a competition whereby those with the best plans for improvement could become self-governing.

● In New York, teachers at school level can vote to suspend parts of their union agreement in return for the authorities agreeing to suspend regulatory constraints on the school.

Robert Jackson: Bill paves way for greater reform

The extraordinary point about Mr Shanker's endorsement of such experiments is that he is not a professional union-buster. He is president of the second-biggest teachers' union in the US, the 675,000-strong American Federation of Teachers, and sits on the executive committee of the AFL-CIO, the equivalent of Britain's Trades Union Congress.

Mr Shanker believes his members will have to adapt if the union is to remain a force. He has invited auto-workers to hammer home to his members the message of flexiblity or death.

The fact that a similar initiative by the main teaching unions would be unthinkable in Britain brought home the profound difference in the political climate of the two countries.

Dr Frank Macchiarola, former head of New York schools and now president of Columbia University's political science academy, emphasised that the US reform movement was eclectic, embracing strands as diverse as the need for more public spending on schools to the drive to involve businessmen in education.

Five teachers and administrators told how they were trying to shake up education in New York by, for example, creating centres of excellence, reintroducing discipline,inviting the business community into the classroom and breaking down huge, impersonal schools into smaller units.

However, Mr Carlos Medina, school superintendent in New York's District 4, which takes in most of Harlem, also described how his schools gave children breakfast and lunch and now wanted to lay on dinner too. "If children come to school hungry and without a coat, they are bound to fail," he said.

The British participants were more interested in freeing schools from the dead hand of the state and of the teaching unions.

Mr Robert Jackson, Minister for Higher Education, defended the Government's programme as paving the way for greater reform from below by allowing parents to vote schools out of local-authority control, by devolving more responsibility to school governing bodies and by giving parents more freedom to insist on the school of their choice.

However, he said, parents needed a handle with which to exercise their power. This was the role of the nationally imposed curriculum and system of testing: it would allow parents to compare schools effectively for the first time.

The radical right believes the Education Bill missed some tricks, particularly in failing to allow governing bodies freedom to set teachers' pay.

Nevertheless, the right hopes the Government's programme will encourage an explosion of initiatives in the schools. If it fails to do so, bodies like the CPS will demand a *second round* of reforms – drawing inspiration from across the Atlantic.

Tourists 'to exceed 21m by 1994'

By David Churchill

BRITAIN'S TOURIST industry expects more than 21m visitors to the mainland by 1994 – over a third up on last year's record figures.

The boom, helped by the opening of the Channel Tunnel in 1993, will see earnings from tourism almost double from £6.3bn to £12bn.

The latest figures published by the British Tourist Authority are based on assumptions and forecasts made by the Government as well as by companies involved in tourism.

Numbers of visitors to Britain are expected to increase by some 4 per cent a year until 1992, with growth in 1993 and 1994 accelerating to 5.5 per cent.

The growth of tourism in Britain over the past decade has lifted it from sixth to fifth place in the international league table of tourism earnings. Only the US, Spain, Italy and France earn more from tourism.

Preliminary estimates from the World Tourism Organisation, included in the authority's statistics, show that the volume of international tourist traffic rose by 4 per cent last year.

In value terms, international tourists spent $150bn, an increase of 16 per cent on 1986.

Britain's share of international tourist traffic last year was 4.4 per cent, up slightly from 1986.

Its share of spending rose from 6.1 per cent in 1986 to 6.9 per cent.

Tourism Intelligence Quarterly, British Tourist Authority research department, Thames Tower, Blacks Road, London W6 9EL. £60 a year.

More waste glass recycled

FIGURES RELEASED by the Glass Manufacturers Federation today show that glass recycling in the UK grew by 8 per cent last year, to 245,000 tonnes, or more than 14 per cent of the UK's glass container production.

But the amount of waste glass recycled still lags behind that in other western European countries.

Banks 'lag in mortgage lending'

BY DAVID BARCHARD

ONLY TWO BANKS, Lloyds and Barclays, are among the top 10 UK mortgage lenders, according to a survey of the mortgage market published at the weekend.

The survey, compiled by James R. Adams & Associates, a London marketing and research group, is based not on loans issued by big lenders, as most estimates until now have been, but on reports of property sale completions by 10 per cent of solicitors' practices.

It claims to be the first detailed and up-to-date research of its kind carried out in the UK property markets.

Unsurprisingly, perhaps, the survey shows the continued dominance of the building societies in the mortgage market during the first quarter of the year, in spite of claims that they are losing market share to other types of lender.

The three largest societies shared 40 per cent of the market, while Lloyds and Barclays had 3.7 and 3.2 per cent respectively.

The Halifax emerges as by far the largest UK mortgage lender with 16.4 per cent of all loans, followed by the Abbey National with 14.2 per cent and the Nationwide Anglia with 9.2 per cent.

About 10 per cent of properties were sold for cash, while the average advance was for £30,000, with 70 per cent of the purchase price paid.

While four fifths of mortgages were linked to endowment life assurance policies, about half the mortgage lending by banks was on a repayment basis. Bank mortgage loans tended to be for a smaller proportion of the selling price than those issued by building societies, averaging 56 per cent of the property's cost.

New lenders, including the mortgage companies which have begun making serious inroads into the building societies' share of the market in the last two years, accounted for about 18 per cent of the mortgage market in the first quarter of this year. James Adams reports that the total market of £22bn in the quarter was for just over half a million properties, with about 40,000 new properties valued at £2.3 bn.

Apart from ranking lenders, the report also offers some interesting insights into the UK property markets.

TOP 10 MORTGAGE LENDERS
First quarter 1988

	%
Halifax	16.4
Abbey National	14.2
Nationwide/Anglia	9.2
Leeds Permanent	4.7
Lloyds	3.7
Woolwich	3.7
Barclays	3.4
Alliance & Leicester	2.9
Birmingham Midshires	2.0
Bradford & Bingley	2.0

Source: James R.Adams & Associates

First-time buyers accounted for 57 per of the purchases and 55 per cent of the money spent. Two thirds of homes are bought by married couples and the most common type of housing is the semi-detached house, which makes up a third of the total.

The overall average price of a property was £43,680, but for detached houses the average was £73,779.

Meanwhile, a survey carried out on behalf of the National and Provincial Building Society shows that savers still prefer their building society to a bank account as a place to keep their savings.

More than five times as many savers with more than £1,500 to invest keep it in a building society account rather than with a bank, the survey suggests. Three quarters of those with building society accounts have held them for more than three years and 46 per cent have more than one account.

● The Woolwich and Gateway Building Societies today join forces in one of the biggest mergers in the British building society industry.

The merged society has assets of £12bn and a unified network of 570 branches and will be known as the Woolwich. It retains the old Woolwich's place as the fourth-largest UK building society. The merger was approved by the two societies in April.

NHS financing 'should not alter'

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE DISRUPTIVE effects of making large changes to the National Health Service need to be measured carefully against any possible benefits, the Association of Community Health Councils says today.

A report on NHS financing by the association, whose member councils represent the consumer interest in the health service, comes out firmly in favour of retaining the existing system of financing the NHS from general taxation.

It says that is the most efficient, equitable and economic method, and that any departure from it "would not be in the interests of patients and would be detrimental to the health of the nation."

The association says the difficulties facing the NHS are serious. "It is not possible to go on year after year under-resourcing a service and at the same time expect to get more out of it.

Many of the alternative means of funding health care raised recently have, says the association, "largely been put up as a smokescreen" to obscure the real questions about the level of resources needed to run the NHS.

It says: "Rather than have a restricted debate about insurance schemes, vouchers or internal markets, there should be a proper, informed debate about how much money the public at large wants to see devoted through taxation to its health service and the way in which that money is spent."

Financing the NHS: The Consumer View. Association of Community Health Councils for England and Wales, 30 Drayton Park, London N5 1PB. £5.

● Tax relief for people who take out private health insurance is the most practical option for reforming health care funding, the Adam Smith Institute says in an analysis of possible alternatives. If such incentives were initially restricted to elderly people this would overcome the objection that the relief would largely be going to those who already had private insurance.

The Health Alternatives. Adam Smith Institute, PO Box 316, London SW1P 3DJ. £9.

Timken to export to Japan

By Richard Tomkins, Midlands Correspondent

BRITISH TIMKEN, the bearing manufacturer, has secured a small but significant contract to export tapered roller bearings to Japan for use in the automotive industry.

It will supply 30,000 bearings a month to Nissan, the Japanese car manufacturer, for the wheel hubs of the company's popular Bluebird model.

The contract is in marked contrast to the normal flow of bearings between the two countries.

In recent years Japan has flooded the volume end of the world market for bearings, of which the automotive industry forms a significant part.

British Timken declined to put a value on the deal, but it said the reversal of established trading patterns in a highly competitive product area was a significant breakthrough for the international "quality supplier" campaign being pressed by its US parent, The Timken Company of Canton, Ohio.

Nissan says it encourages procurement of parts and materials from overseas suppliers who can offer a combination of high technology with satisfactory quality, price and delivery.

Mr Keith Fallows, marketing communications manager at British Timken, said his company had worked closely with Nissan to select the correct bearing out of its range of 60 types and 20,000 sizes.

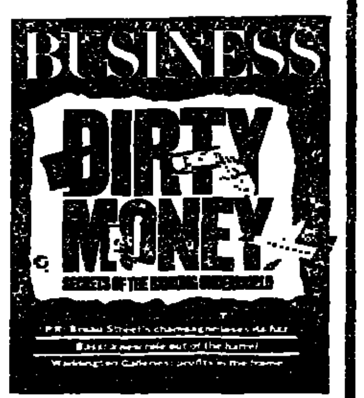
It had then modified the bearing with special profiling and finishing to meet Nissan's rigorous specifications.

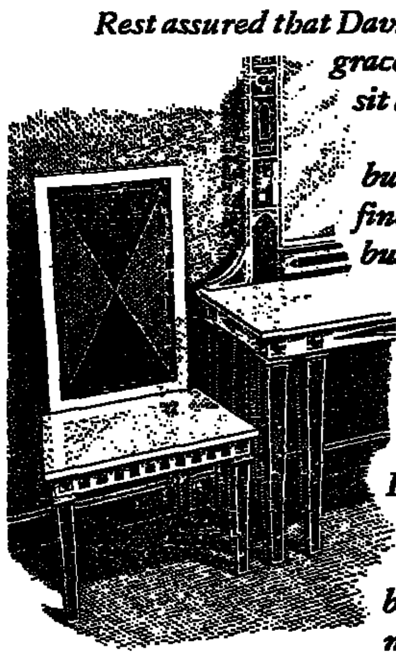
Mr Fallows said Timken believed the contract might prove to be strategic in opening the door to further business with Nissan and other manufacturers in the Japanese automotive industry.

It also demonstrated a willingness by Japan to admit British and European suppliers.

The bearings for the contract are being manufactured at British Timken's factory in Duston, Northampton, one of 16 Timken bearing plants in seven countries.

Timken is the world's largest manufacturer of tapered roller bearings.





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City economists differ over inflation outlook

BY RALPH ATKINS

A WIDE split in opinion among City economists about inflation prospects in the British economy is highlighted in reports published at the weekend.

Warburg Securities and Morgan Grenfell, two leading securities houses, both focus on arguments that inflation is rising and the trade deficit worsening because the economy is growing too fast. However, they arrive at conflicting conclusions.

Economists at Morgan Grenfell say overheating is getting worse. They argue that excessive demand is pushing up the underlying inflation rate and leading to a "major deterioration" in the trade position.

The report says demand has been growing "rapaciously" for several years. However, it says that, at some point last year, demand began to exceed supply, as companies reached capacity constraints.

The strong growth in manufacturing investment forecast by the Government is likely to be too little and too late to ease capacity shortages this year, Morgan Grenfell says. It also argues that the labour market has tightened, with vacancies in many areas outstripping the number of unemployed.

It says: "Skill shortages and mismatches have begun to put pressure on labour costs and represent the major constraint to output expansion in the short term."

The report adds that the recent strength of sterling and mortgage rate cuts have improved the outlook for inflation in the short term. However, it warns that these movements will not be sustained.

In contrast, Warburg Securities says that, outside the housing market, the underlying rate of UK inflation has not altered much during the last year. Nor does it expect the rate to change in the next 18 months.

The report disputes claims that the economy is at full capacity. It says manufacturing output continues to grow strongly, productivity is rising and anecdotal evidence suggests that capacity constraints are less of a problem than shortages of orders.

Warburg admits that the UK is running a "large and widening" current-account deficit. However, it says: "This is not the result of the crude supply constraint mooted by the pessimists, and as a result does not point to an inevitable upturn in inflation."

The report says that output growth in both manufacturing and across the economy as a whole is likely to slow of its own accord in 1988 and 1989. With this, it says, "the danger of imminent overheating will recede further."

Advice for business sellers

BY CLIVE WOLMAN

A CORPORATE finance advisory "boutique" is being set up, which plans to specialise in giving advice to the owners of small private companies wishing to sell their businesses.

The firm, Cavendish Corporate Finance, is being formed by Mr Howard Leigh and Mr Hugo Haddon-Grant. Mr Leigh is leaving Deloitte Haskins & Sells, the accountancy firm, where he set up a mergers and acquisitions group three years ago. Mr Haddon-Grant has previous experience with the Business Exchange and before that with the accountancy firm Grant Thornton.

The new firm will give advice only to the vendors of private companies (in the £1m to £10m range), rather than to both parties of a transaction or to the buyers, as is usual for most accountancy firms and merchant banks. The firm's expertise lies primarily in property, textiles, advertising and light engineering.

The increasing fragmentation of the industry results from the perceived conflicts of interest faced by the largest firms and scepticism about the long-acclaimed advantages of having the capital backing and resources of a large organisation when giving financial advice to companies.

Computers come to life assurance sales staff

By Alan Cane

CALCULATIONS scrawled on scraps of paper or tapped hastily into pocket calculators are becoming a thing of the past for life assurance agents as new technology makes its mark in the insurance business.

Portable computers are quickly gaining popularity as standard equipment for insurance salesmen, combining the functions of marketing tool, calculator and record keeper.

The latest convert to technology is Commercial Union, which is spending some £600,000 on the most expensive portable computers money can buy in an effort to make its sales force more competitive.

It is following hard on the heels of Allied Dunbar and Abbey Life, whose salesmen are already making calls armed with portable machines. Commercial Union claims, however, that it is the first to use artificial intelligence and moving pictures on the computer screen to help to clinch deals.

Some 170 computers have been bought by Commercial Union Financial Services (CUFS), the three-year-old direct sales arm of the composite insurer. The plan is to lease the machines – supplied by the US manufacturer Grid – to CUFS' self-employed, commission-only, direct sales force. The monthly charge has not been disclosed, but should reflect CU's wish to see at least 70 per cent of its senior salesmen take up the offer.

Software for the battery-driven machines has been written by Fame Computers, of Aston in Birmingham, a leading UK supplier of specialist insurance software.

It features powerful animated sequences. When a customer's details have been put into the system, artificial intelligence in the software selects and recommends appropriate CU products and displays the result on the screen.

Mr Laurie Thompson, managing director of CUFS, said he expected use of the system to result in an increase in the average customer take-up of CUFS products of at least 10 per cent and an increase of at least 50 per cent in recommendations by satisfied customers.

CUFS is announcing the system to its branches from today.

Richard Waters describes how rising fee income and profitability have benefited partners

Sharing the growth in the accountancy firms

MR JOHN BULLOCK, senior partner of Deloitte Haskins & Sells, the accountancy firm, had a pleasant surprise last year. After several years of strong growth, he had decided it was time to pay more attention to his firm's bottom line. Growth could take a back seat.

As it turned out, fee income leaped by nearly a quarter to £115.1m, the fastest rate of growth ever. Moreover, profitability appears to have done nicely – although the outside world never gets more than an inkling of the truth. Accountancy firms may be big businesses, but they enjoy the privilege of secrecy accorded to all partnerships.

Deloitte's performance reflects that of other large firms. With typical accountants' caution, they have been predicting a slowing down in their rate of growth for some time. However, their results for 1987 show another buoyant year, with fee income again reaching towards 30 per cent in some cases.

Mr Jim Butler, senior partner of Peat Marwick McLintock, the largest firm, said: "Two or three years ago people were saying – and we thought it as well – that we had a mature market. But, provided we can get the people to do the work, there is no reason why we can't keep growing."

Although the picture is patchy, it appears that Mr Bullock's concern for the bottom line was felt by some of his colleagues at other firms. A number held down partnership numbers while their fee base expanded.

John Bullock, Deloitte Haskins & Sells: Pleasant surprise

Jim Butler, Peat Marwick McLintock: Question of people

In the economics of the partnership, that means that each partner has more or less the same share of a much larger cake, once overheads have been deducted – although the chances are they will be required to plough at least part of the extra income back in the form of capital for the firm.

A net reduction of four in their numbers meant that Deloitte's 240 partners were each responsible for generating an average of £630,000 in fees last year, compared with £496,000 the year before.

Arthur Andersen, traditionally strongest in this area, saw fees per partner shoot ahead from £692,000 to £834,000, suggesting that the day of the firm generating £1m in fees for each partner is at hand. That growth arose out of an increase of only four in the number of Andersen partners, to 136.

"We have been working very very hard on productivity," said Mr Don Hanson, Andersen's managing partner. "There is all this growth, but it is very cut-throat. In most markets that are growing at 15-20 per cent a year, margins are widening – but that is not true here. You have to work a lot harder to make a profit."

Coopers & Lybrand is the only one of the so-called Big Eight firms of accountants that has yet to publish its figures for last year. The others present a consistent picture of growth:

- Peat Marwick McLintock reported fee income of £262.5m, up by 26.7 per cent from the previous year.

The addition of 59 partners, making a total of 478, marks Peat out as a firm still intent on increasing partner numbers. "We'll be making 40 more partners on July 1," said Mr Butler. "If the people had been there, we would have made a few more last year."

The results reflect the ease with which Peat Marwick has pulled off its merger with Thomson McLintock, in spite of warnings from other firms that the merger would take time to settle down. Around £5m of the fees and 14 partners joined Peat through other mergers during the year, said Mr Butler.

- Price Waterhouse returned the fastest fee growth, up 28.7 per cent to £178.5m. That stemmed largely from continuing strong growth of around 20 per cent in its audit and accountancy business, in spite of the relative maturity of the market.
- Deloitte Haskins & Sells increased its fees by 24.8 per cent to £151.1m.
- Ernst & Whinney, while increasing fees by 20.1 per cent to £120.9m, ended the year with the same number of partners that it began with (214). However, senior partner Mr Elwyn Eilledge cautioned against seeing that as a deliberate move to improve profitability.

"Fees per partner is a fairly simplistic statistic – I don't look at the firm in that way. We made the partners that the practice needed. We shall be increasing our number of partners significantly on July 1," he said.

- Touche Ross reported income up 24.6 per cent to £116.6m. The performance was underlined by a huge jump in its consulting revenues, which accounted for 24 per cent of total fees (compared with 17 per cent the year before).
- Arthur Andersen, while seeing fees grow by 24.2 per cent to £113.4m, experienced the biggest slowdown of the year. In 1986, its income had grown by 36 per cent. Mr Don Hanson, managing partner, said: "You can't get the people any more. The only slowdown there is, is the inability to get people."
- Arthur Young, where fees increased by 20 per cent to £108m, saw partner numbers grow by only seven, to 209. Mr Peter Edwards, managing partner, also warned against seeing that as a deliberate move to increase partners' earnings.

Pension fund assets 'belong to employees'

BY CLIVE WOLMAN

EMPLOYEES SHOULD be given an annual right to withdraw their share of the assets of their company pension schemes and to reinvest them in "personal optional pensions," according to a paper to be published tomorrow by the Centre for Policy Studies, the free-market-oriented think tank.

The paper, which contains several hard-hitting criticisms of pension fund and institutional investment, is written by Mr Phillip Chappell, the former head of Morgan Grenfell's corporate finance division, with a foreword by Lord Vinson.

The two writers' original proposals for personal and portable pensions in 1983 had a strong influence on subsequent legislation. However, Mr Chappell argues that the 1986 legislation was so seriously eroded by vested interests and taxation difficulties that a new initiative is now needed.

Lord Vinson argues that the underlying weakness of the present system is that it concentrates rather than diffuses economic power. He says that runs counter to the principles of a free society. The growth of pension funds over the last 30 years has "led to the greatest shift of ownership from individuals to institutions since the opposite happened at the time of the Dissolution of the Monasteries."

Mr Chappell's proposals are based on the assumption that all past contributions to a pension fund are deferred pay and therefore all the assets belong exclusively to the employees. He proposes that those assets should be divided into units, as with a unit trust, and allocated to the individual members on a basis established by the Government Actuary and the fund trustees.

The assets and liabilities of the fund and of each unit would be calculated each year on the basis of market values and standardised liabilities.

Under the new personal pension regime, which has just come into force, employers are not required to continue making contributions into the personal plans of those employees who opt out of the company scheme. However, the new proposal, with its annual withdrawal option, would mean that the employer would have to continue contributing on behalf of all pension scheme members as he would not know in advance which employees would withdraw at the year end.

Those employees who chose personal optional pensions could invest their money in whichever assets they wished.

Mr Chappell argues that his proposal would allow for a gradual rise in employee ownership of wealth in which individuals would have a direct stake in the success of corporate and other investments.

It would make irrelevant the arguments about pension portability, job immobility and the cross-subsidisation by one employee of another which is inherent in the existing occupational schemes.

In the second section of the booklet, Mr Chappell proposes that all tax privileges should be withdrawn from pension funds and investment for retirement.

Pensions and Privilege. Centre for Policy Studies, 8 Wilfred Street, London SW1. £5.50.

Heffer calls for nuclear phase-out

By Charles Hodgson

THE NEXT Labour government should undertake to phase out Britain's nuclear power stations, Mr Eric Heffer, a candidate for the party's deputy leadership, said yesterday.

Mr Heffer, hard-left MP for Liverpool Walton, said Labour had been involved in "too much retreat and backsliding" on some issues and needed a "serious and bold policy" on nuclear power. He added that there would be public support for a move to phase out nuclear power stations.

While accepting that nuclear power had been important in the development of electricty generation, Mr Heffer said: "It is a potential danger which, despite all precautions, can devastate whole areas of the country and the world if accidents occur."

HEALTH CARE POLICY

Roger Beardwood reports on the way France runs its health system, and the contrasts it offers with Britain's National Health Service

Looking well but needs some strong medicine

ONE DOCTOR speaks angrily of the recent day when hospital managers told him that money for medicines had run out. A college of surgeons warns that if the government does not change its policies there will be an exodus of medical staff. Throughout the health service there are grumbles about shortages of money, and the heavy burdens and light pay-packets of doctors and nurses.

Yet this report comes not from Britain, where funding for the National Health Service (NHS) has become a contentious political issue. It comes instead from France, where, in the forthcoming National Assembly elections, the health service is a muted issue at best. France has been cited by some British opposition MPs as a model for the UK – at least in the sense that it spends much more on health care than Britain does. The British Government's response is that the NHS's problems will not be cured by throwing money at them.

Ironically, both sides of the British debate can find much in France to support their conflicting views of the *future shape of the NHS. On the one* hand, the French undoubtedly spend liberally on health; on the other, the system is insurance- rather than tax-based, and can boast lively competition between the public and private sectors, as well as much co-operation between them.

But neither higher spending nor a large and prosperous private sector is in itself a cure for what ails both the French and British health services: an ageing population, insistent public demand for the latest, and presumed best, medical technology, and a huge and unwieldy health-care establishment jealous of its privileges and reluctant to change.

In 1985, the latest year for which comparative figures are available, total health-care spending in France was 8.5 per cent of gross domestic product (GDP). In Britain, the percentage was 5.9. The cash differences were even larger. In US dollars, adjusted for differing local purchasing power, France spent $1,071 per capita on health in 1985, and Britain only $627. But those gross figures conceal an important contrast between the two countries. In France, only 71 per cent of health spending is public; in Britain, the figure is 90 per cent.

But is France's health-care system proportionately "better" than Britain's? The question is almost impossible to answer, since it raises at least three other questions: What is "better"? How responsible is the health-care system for improvements in health? And are the French getting value for money? The Organisation for Economic Co-operation and Development (OECD) put the challenge this way in a recent report: "The principal problem in designing policies to achieve efficiency stem from the difficulties in defining and measuring the output of health systems, as well as the general lack of clinically agreed-upon standards of appropriateness for medical care."

Superficially, to be sure, France's hospital system is in better shape than Britain's. There are more beds per thousand people and the occupancy rate is about 70 per cent, compared with more than 80 per cent in the UK. No hole-in-heart French babies make prime-time TV news and *front-page headlines because their* surgery has been postponed, as has happened in Britain. Old people do not hobble around for years waiting for their worn-out hips to be replaced with plastic ones. Waiting lists for operations, even complicated ones, are measured in *days rather than* weeks, months and even years.

Undoubtedly, though, the French pay a high price. In Britain, general tax revenues finance the NHS. In France, health spending is covered mainly by social security contributions: *5.9 per cent of gross income* from every wage-earner, plus 12.6 per cent from the employer, with no upper limits. Self-employed people pay 11.5 per cent of their gross income. But that is not the final bill. Most people covered by social security *also subscribe to one of the not-*for-profit *mutuelles* or to private health-insurance plans. This is because social-security reimbursements do not cover all medical bills, particularly those for treatment that the state regards as unnecessary or too expensive.

Voluntary health-insurance cover also means that people can afford private rooms and the specialists of their choice. Indeed, there is keen competition for patients between the public and private sectors. Most of the 1,849 public hospitals, with more than 500,000 beds, are municipally owned: together with the 2,637 private hospitals, with about 212,000 beds, they must attract patients if they are to pay their way. And, of course, both sectors are competing essentially for the same pool of francs – social-security reimbursements. Like most things in France this reimbursement system is highly bureaucratic, requiring doctors, pharmacists, hospitals and other health-care providers to complete complicated forms. The patient must pay, then claim reimbursement – which is often slow to arrive.

Notoriously, though, public hospitals are often more expensive than private ones. A 1987 study done for the Groupe Fondation de la Liberté, a right-of-centre research group, showed that an identical appendectomy in the Paris region cost FFr 12,881 (£1,199) in a public hospital and FFr 6,269 (£586) in a private clinic – *making* the public hospital 105 per cent dearer than the private one. The most expensive private hospital in the survey charged FFr 15,633, but that probably included a private room.

The private sector is more than *holding its own in competition with* the public hospitals. Although they have only some 40 per cent of the beds, the privately-owned hospitals and clinics provide 55 per cent of the surgery and more than half of all maternity care, kidney dialysis, and cancer treatment. More than 84 per cent of private clinics are small, with fewer than 100 employees.

> What ails both French and British health services is an ageing population, insistent demand for the latest technology and an unwieldy health-care establishment

Taxed with their inefficiency, public-hospital administrators argue that *they support research and teaching* and invest in expensive equipment. The argument is less than convincing. Only 27 per cent of the 1,849 public hospitals are designated as "centres hospitalo-universitaires". As for costly equipment, the public sector gets less use out of it. A recent study done for the hospital directors' professional body showed that on average a body scanner in the public sector was used for 56 hours a week – and in private clinics for 71 hours.

Statistics for the public sector are rarer than they should be, and usually late. Patients are presented with "global" bills – typically, FFr 2,600 a day for surgery. Everything is lumped in together: consultation with specialists, body-scanning, X-rays, surgery, medicines. Why, ask the critics, should social security pay exactly the same daily rate for patients who have very different treatments, requiring varying services?

Another likely cause of the public hospitals' high costs is that bureaucratic inertia has spawned sloppiness and sloth. For example, average staff absenteeism in hospitals is 15 per cent, which compares with 9 per cent for the working population as a whole (absenteeism is defined to *include maternity and sick leave.)* The practical effect is that the average hospital must pay 1.92 people to ensure that one is on duty. The hospitals' paymaster, the social security department of the Ministry of Health, sets a poor example: it suffers from 25 per cent absenteeism in the department that collects contributions and a remarkable 35 per cent in its public offices. In all, social security employs 180,000 people, 45 per cent of them in *the health department, and the rest* responsible for family allowances, old-age pensions, and related functions. The Inspection Générale des Affaires Sociales estimates that 23,000 employees could be made redundant.

In theory, compulsory pay-roll deductions should cover the state's share of health spending. In practice, the government has to chip in with FFr 6bn in 1986. Social security also borrows short-term from public-sector savings banks. And, every now and then, because social-security payments are late, public-sector hospitals run out of cash – which explains why that surgeon was told there was no more money for medicines. As he recalls: "Of course, that was ridiculous and the management found some more money next day. But it shows what a mess we are in."

Some staff members also complain about being paid late, sometimes two weeks or more behind time. And most have no fat on which to live. Salaried surgeons – after 15 years of studies – are paid FFr 15,400 a month at the bottom of the career ladder and FFr 26,000 at the top. To be sure, they can earn overtime payments – FFr 800 for overnight duty – and in teaching hospitals the pay is slightly better. But in 1986 only 400 candidates sat competitive examinations for 555 vacant surgical posts, and only 214 passed. Internes and foreigners filled the gap. The Collège National des Chirugiens warns: "In the next 15 years France will lose half its surgeons to countries where they are paid better and respected more." The Collège sees 1992 as the year in which the exodus will gather speed. In that year remaining barriers to the free movement of labour within the European Community are supposed to fall.

Nurses, some 92 per cent of them female, earn a starting salary for a 39 hour week of FFr 7,200 a month, rising to FFr 12,800. On top, they receive bonuses equivalent to a thirteenth month, usually paid well in arrears. They also have five weeks of paid holidays, now virtually standard for salaried employees in both the public and private sectors. Many nurses complain of long, unpaid extra hours and of staff shortages in public hospitals. Agnès Jacquinot, who has worked in private clinics and is now with a large regional hospital, says she prefers the public sector because it offers "a good spirit and job security. But it is terribly under-staffed."

As in Britain, nurses argue that they are being paid less than secretaries for doing skilled, highly responsible jobs, and working unsocial hours – though that term has not yet entered the French lexicon of complaint, even in translation. Only a quarter of nurses belong to a union, slightly more than the national average for union membership, calculated variously at between 15 and 18 per cent of people in work. The most active union in the hospital service, the politically centrist Force Ouvrière, is worried that if pay and conditions do not improve soon there could be an outburst of unrest. "The situation is becoming intolerable," says a spokesman.

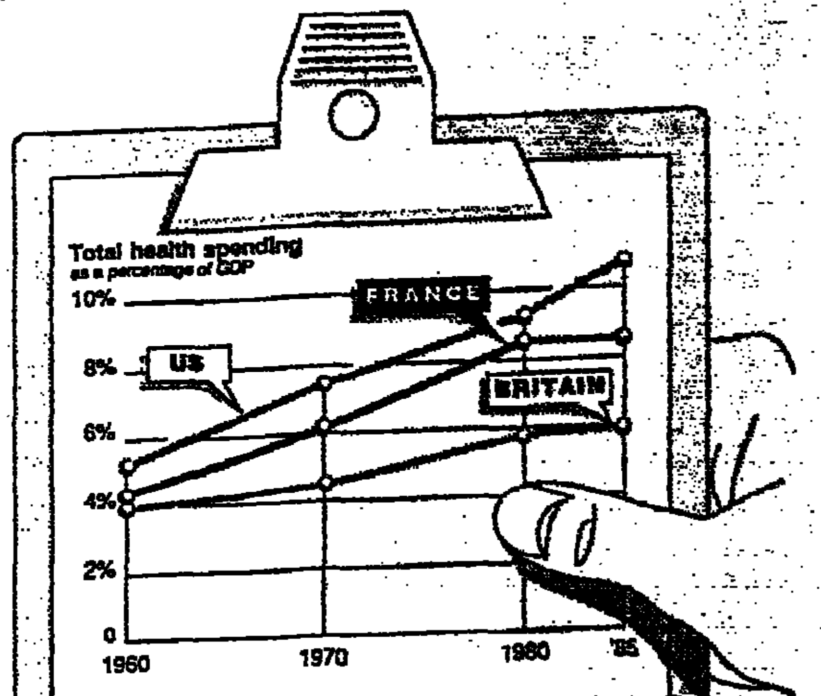
But no quick fix is in sight, no miracle cure. Public demand for health care is pressing inexorably against public willingness and ability to pay for it. Ironically, the more that medical science prolongs life the more trouble it stores up for the health-care system, in the form of more old people requiring yet more care for longer periods. In 1980, 14 per cent of French people were over 65; by the year 2010, according to an OECD study, that percentage will be 16; and by 2030 no less than 22 (the figures for Britain are 15, 15, and 19). People aged more than 70 are only 8 per cent of the French population, but they account for about 16 per cent of total hospital costs and some 15 per cent of other health-care costs.

Health reformers say there are two essential courses of action to cope with these alarming trends.

● First, inefficiencies must be wrung out of the system, even if the bureaucrats take to the barricades: the difference between costs in the public and private sectors is simply indefensible. Henri Guillaume, former director of planning in the prime minister's office, puts it this way: "Our institutional system has proved its effectiveness, but places obstacles to innovation."

● Second, the French people – like the British – must do more to care for their own health, instead of relying upon remedial treatment. For example, 148,000 people were injured in traffic accidents in 1958; last year the figure was almost 248,000, of whom some 53,000 were seriously hurt, and 9,855 died (the British death toll was 5,100). Virtually all road accidents, says the Gendarmerie Nationale, are caused by bad driving – and its root causes are impatience and drunkenness.

Like Britain's NHS, France's health system has been in large part a remedial service, charged with repairing the ills that people have brought on themselves. In France, as in Britain, the burden is becoming intolerable.



Infant death rates (male) per 1000 live births	France	US	Britain
1930	90.2	65.6	71.9
1950	52.1	33.4	32.7
1980s*	11.2	12.6	12.2

Life expectancy (male) at birth	France	US	Britain
1930	54.3	57.7	58.6
1950	63.9	65.6	66.5
1980s*	70.9	70.9	71.3

* Various years 1980-85. British figures are for England & Wales

Source: OECD

هكذا على الأكمل

CONTRACTS

Shopping facilities for Bath

WILLETT, a member of the Trafalgar House building and civil engineering division, has started work on a contract, worth nearly £10m, for ARC Property Developments, in the City of Bath.

The project will comprise the construction of a supermarket and library, and alterations to a car park at the Cattle Market, Walcot Street. Under the 52-week first phase, Willett will construct a two-storey complex, to be known as the Podium.

The ground floor will incorporate a 2,500 sq metre supermarket, in addition to 17 smaller retail units for individual clients and a glass atrium. The second floor will contain a 1,700 sq metre county library with a meeting room and exhibition space.

The complex will be built on part of a car park, which is currently being demolished and upgraded to allow construction to take place. Work will involve boring out four underground loading bays and piling to improve the strength of the car park.

The contract will also include extensions to the Beaufort Hotel to increase capacity by an additional 55 rooms and the provision of a swimming pool and sauna. All landscaping and environmental improvements will be undertaken by Willett, including the construction of a walkway adjacent to the river Avon.

ARC CONSTRUCTION has been awarded contracts worth nearly £5m. The company is to carry out a £2m extension of the domestic and common travel aprons at Birmingham International Airport, which will involve placing 11,000 cu metres of pavement quality concrete.

ARC Construction has also received orders worth £2.8m from the Property Services Agency to construct reinforced concrete communications buildings at RAF Benson, near Wallingford, and at Templeton, west Wales, for the Ministry of Defence.

Prince's Quay retail scheme

Land Securities has awarded the £37m building contract to BALFOUR BEATTY BUILDING having exchanged the building agreement with Hull City Council for the development of the 260,000 sq ft Princes Quay shopping/leisure development. The agreement also conveys to Land Securities a 150-year lease at a peppercorn rent. Princes Quay is being jointly developed by Land Securities, Balfour Beatty and Teesland Development Company.

Scheduled for completion by October 1990, Princes Quay is seen as one of the most exciting, innovative and ambitious shopping centre development projects in Europe. Situated at the retail heart of Hull City Centre and built on stilts above the waters of the former Princes Dock, the development will feature 87 shop units, a food court and 28 speciality kiosks as well as over 50,000 sq ft of leisure space and 1,000 car parking spaces. Land Securities also plans to create a festival market place atmosphere along the dockside, utilising a derelict warehouse which will be refurbished.

According to Mr Robert De Barr, a director of Ravenseft Properties, the group's shopping subsidiary and assistant director in charge of the project at Land Securities Properties, retail response to the scheme has been "staggering", with more than 33 per cent pre-let to many of the top high street names including an extension to Allders department store, some 25,000 sq ft to several of The Burton Group trading names, about 12,000 sq ft to a number of key Sears Group retail names, Chelsea Girl, Dixons, Next, Dash, with other significant names to be announced shortly. Healey and Baker, the sole letting agents, claim to be achieving £85 per sq ft Zone A on the latest batch of lettings.

£26m orders for Wiltshier

Companies within the WILTSHIER GROUP have won contracts around Britain worth more than £26m. In the London area, Wiltshier Construction has won a £5.1m contract to build a mixed commercial development including shops, a restaurant and night club in Ealing Road, Alperton for developer Atlip.

The company has also started work on a £6.8m development for J Sainsbury close to the Thames in *Fulham. A new superstore,* associated car parking and branch offices are included, and the project is due for completion in March 1989.

In Hull, Wiltshier Northern has won a £4.7m contract to provide the Hull Daily Mail with a new headquarters and printing works. The development, for Hull & Grimsby Newspapers, will occupy a site at Blundells Corner in Hull, providing printing and paper storage facilities, and offices in a three-storey building. Work has started on the 52-week contract.

Newcastle-upon-Tyne Council has awarded a £1.2m contract to build a steel-framed primary school in the Kingston Park district. At ICI's Wilton works on Teesside, Wiltshier Northern is extending the materials centre, in a £1.5m contract.

Wiltshier Southern, based in Winchester, *has won a £4.3m con*tract to build 14 industrial units on two sites in the Chineham Business Park, Basingstoke, for developer Louisville Investments.

North of the border, Wiltshier Scotland has won £1.1m of housing association work, including a rehabilitation contract in Paisley, and the construction of a community resource centre in Shettleston, for Shettleston Housing Association.

Bridging the river Nene

A contract worth £1.1m for the construction of a combined services and foot bridge, the demolition of two bridges and the diversion of water and electricity supplies in the Rivergate Development Scheme at Peterborough has been awarded to BIGGS WALL & CO, Arlesey, by London-based developers, Speyhawk Land and Estates.

The bridge will consist of two parallel two metres deep plate girders spanning 50 metres over the river Nene and founded on piled abutments.

DIARY DATES

FINANCIAL

YESTERDAY

BOARD MEETINGS-
Finals:
TR Industrial & General Tst.

DIVIDEND AND INTEREST PAYMENTS-
Amdahl Corp 5cts
Bank of Montreal 50cts
Bridport-Gundry 1 9p
Great American First Savings Bank 15cts
Low (Wm) 5 5p
O K. Bazaars 65cts
Rutland Trust 0 14p
S'hampton, IOW & SOE RM Steam Pkt. 5pc Pf. 1.75p

TODAY

COMPANY MEETINGS-
Bank of Scotland Bank at The Mound, Edinburgh, 12.15
Bestwood, White House, Regents Park, N.W., 11.30
Blue Circle, Inn on the Park, Hamilton Place, *Park Lane, W, 12.00*
Brown & Jackson, Battle Bridge House, 300, Grays Inn Road, W.C., 9.30
Caparo, 8, Baker Street, W., 12.00
Guthrie, 30-32, St. Mary Axe, E.C., 12.00
Helene, Ramada Hotel, Berners Street, W. 12.00
Kalon, Huddersfield Road, Birstall, Batley, 11.30
Rock, Ramada Hotel, W., 10.00
Rural Planning Services, Farmers Club, 3, Whitehall Court, S.W., 12.00
Senior Eng., *Glaziers Hall, 9, Montague Close,* London Bridge, S.E., 12.30
TV-am, Hyde Park Hotel, 66, Knightsbridge, S.W., 12.00

BOARD MEETINGS-
Finals:
Biomechanics
De La Rue
El Oro Mining & Expln.
Exploration Co.
Hoskyns
Ramco Oil Services
Interims:
Church (Charles)
Royal Trust Government Securities
TSB Channel Islands

DIVIDEND AND INTEREST PAYMENTS-
APV 2.6p
Ace Belmont Intl. 10pc Pf 5p
Admiral Comp. 1.46p
Allen (Edgar) Balfour 7¾pc Deb. 1987/92 3⅞pc
Allied Lyons 6.65p
Do. 7½pc Prf. 2.625p
Aman 3 7p
Armitage Bros 7½pc 1st Mtg. Deb. 1985/90 3.75pc
Automated Sec. 1.36p
Do 8pc Cnv. Uns. Ln. 1990/95 4pc
BHH 1.25p
Banco De La Prov. De Buenos Aires Fltg. Rate Nts. 1988 $198.57
Bank of Baroda Fltg. Rate Nts. 1989 $198.57
Bank of Communications Fltg. Rate Nts. 1993 $397 14
Bredero Props. 3.3p
Bristol (City of) 11½pc Red 2008 5.25pc
Britannia Arrow Prf. 2.3625p
British Alcan Aluminium 10⅞pc DEb. 2011 5 7/16pc
British Mohair 6.1p
Bryant 8pc Prf. 2.8p
Cadbury Schweppes 5.9p
Canning (W) 7½pc Uns. Ln. 1988/93 3.75pc
Cap. & Counties 6pc 1st Mtg. Deb. 1995/2000 3 3/16pc
Carlton Inds. 7pc Pf 3.5p
Cater Allen Gilt Income Fd. 30p
Cater Allen US Dollar Inc Fd. 10cts
Central ITV 17p
Centreway Tst. 11pc Pf 33p
Chase Manhattan Fltg. Rate Nts. 1997 $180 49
Chemical New York Fltg. Rate Nts. 1999 $63 33
Citygrove 7.75pc Cnv Red Pf 3.07877p
Commerzbank O'seas Fin. Fltg. Rate Nts. 1988 $174 1
Cont. & Indl. Tst. 5½pc Pfd. 1.925p
Do. 5½pc Red Deb 1983/88 2.75pc
Cropper (James) 9pc Uns Ln 1994/99 4.5pc
Dewson Intl. 7pc Deb 1985/90 3½pc
Do 7½pc Deb 1985/90 3¾pc
Do 10¾pc Deb 1990/95 5⅜pc
Densitron Intl. 1.25p
Dunlop Plants. 6pc Pf 2.1p
Electric & Gen Inv. 10¾pc Deb 2011 5⅜pc
Epwin Grp. 3.2p
Gestetner 10pc Cnv Uns Ln 1990/95 15p
Gold & Base Metal Mines 0.4p
Goodhead Print 7pc Red Pf 3.5p
Greene King 6¾pc Uns Ln 1988/93 3⅜pc
Halifax B S. Fltg Rate Nts. 1996(Ser A) $36.14
Hampton Homecare 1.3p
Hill Samuel Fltg. Rate Nts. $397.14
ISA Intl. 0.27p
ICI 7¾pc Uns Ln 1986/91 3⅞pc
Italy (Rep. of) Fltg. Rate Nts. 2005 $63.33
Jersey Gen. Inv. Tst. 5½pc Pf. 2.75p
Johnson, Matthey 6½pc Mtg Deb 1985/90 3¼pc
Jove Inv. 3.375p
Kleinwort Benson Finance Gtd. Fltg. Rate Nts. 1991 $90 84
Kleinwort Benson Gilt Fd. 31.22p
Kleinwort Benson Lonsdale 8.7p
Law Debenture 5pc 2nd Deb 1983/88 2.5pc
Do. 4pc 2nd Deb 1978/88 2pc
Do 4pc 2nd Deb 1983/88 2pc
Leisure Invs 0.5c
Do 7pc Red Pf 3.5p
Lloyds Bank Prim Cap. Und Fltg. Rate Nts. $173.83
London & European 10½pc Uns Ln 1993 5¼pc
Metsec 1 6p
Mezzanine Cap & Inc Tst 2001 5.5p
Midland Bank 14pc Sub Uns Ln 2002 7 7pc
More O'Ferrall 5 4c
NCR 4pc Gtd Ln 1993/98 2pc
Do 8½pc Gtd Ln 1993/98 4¼pc
N M W Computers 1p
NatWest Prim Cap FRN's (C) $177.29
New Brunswick Fltg. Rate Nts. May 1994 C$22.2
Northern Foods 7¼pc Deb 1985/90 3⅝pc
OCE (UK) 9pc Uns Ln 1987/92 4½pc
Ogilvy 22cts
P-E Intl 2.4p
Paterson Zoch. 7½pc Prf 3.75p
Do 10pc Pf 5p
Peugeot Talbot 5½pc Deb 1984/89 2¾pc
Pillsbury 28cts
Raeburn Inv Tst 5pc Pf 1.75p
Do 4½pc Uns Ln 1973/98 2¼pc
Regis Prop 8¾pc Gtd Uns Ln 1997 4⅜pc
Rosehaugh Greycoat Estates 11pc 1st Mtg Deb 2014 5½pc
Rotork 3.85p
Royal Bank of Canada Fltg Rate Debs 2005 $8.333333
Royal Bank of Scotland 11pc Pf 3.85p
Do 5½pc Pf 1.925p
Ryan Intl. 4p
Sainsbury (J) 6½pc 1st Mtg Deb 1988/93 3¼pc
St. Ives 0.75p
St. Modwen Props 8.5pc 2nd Pf 4.25p
Save & Prosper Return of Assets 8.3pc-13.3pc Pfd. 4.2p
Scandinavian Bank 5.3p
Scanro 7.75pc Red Pf 3.875p
Shanks & McEwan 8.5p
Stoddard 4pc Pf 2p
Svenska Intl. Sub Fltg Rate Nts. 1995 $400.31
TR Trustees 4½pc Pf 1.575p
T T Finance 11 7/16pc Gtd Deb 2018 5 23/32pc
Tesco 9pc Uns Ln 2002/07 4½pc
Throgmorton Tst 12 3/16pc Deb 2010 6 3/32pc
Tomkins 9¼pc Uns Ln 1994 4⅝pc
Wace 2p
Wade Potteries 10pc Pf 5p
Wagon Indl. 3½pc Pf 0.875p
Wells Fargo Fltg Rate Nts. 1992 $63.67
Do. Fltg. Rate Nts. 2000 $63.89
Do 5pc 2nd Pf 1.75p
London County 3pc Cons 1920(or after) 1.5pc
Do 2½pc Cons 1920 (or after) 1.25pc
M & G Intl Income Fd 1p
Malawi Railways 3½pc 1st Deb (1988/88) 1¾pc
Metal Box 2.8pc Red 2nd Pf 1.4p
Miller (Stanley) 0.75p
Monsanto 5pc Gtd Ln 1992/97 2½pc
Do 6¼pc Gtd Ln 1992/97 3⅛pc
Murray Smaller Markets Tst 4.1pc Pf 2.05p
Ocean Trans. & Trading 7.01p
Ontario & Quebec Railway 6pc Cap 3pc
Do 5pc Perm Deb 2½pc
PZM 4pc Pf 1.4p
Do 8pc Pf 2.8p
Peek Intl 5½pc Cum Red 1.925p
Do 4½pc Red Pf 1.575p
Renaissance 3.03p
Proprietary 1.125p
Save & Prosper Linked Inv. Tst. 15.1p
Schroder Global Tst 6pc 1st Deb 1984/89 3pc
Scottish Agric. Sec. 7¼pc Deb 1990/92 3.625pc
Senior Eng 1.29p
Singer & Friedlander 0.75p
Southampton Harbour Board 6¾pc Red 1986/90 3⅜pc
Standard Trust 5½pc Deb Stat-Plus 1.5p
Sumerland Hldgs. 0.77p
TR Australia Inv. Tst. 5pc Pf 1.75p
TR Trustees 4½pc Pf 1.575p
Texas Eastern 25cts
UTC 5p
Union Carbide 37.5cts
USLIFE 32cts
Vinst 7pc Pf 2.45p
War 3½pc Ln 1.75pc
Watney, Mann & Trueman 4¾pc Red Deb 1988/93 2⅜pc
Do 6½pc Red Deb 1987/90 3¼pc
Wembley 1.1p
Whitbread 6½pc Red Deb 1987/92 3¼pc
Do 6¾pc Red Deb 1987/92 3⅜pc
Wimpey (George) 4.75p
Wright (John)(Weaving) 4½pc Pf 1.575p
Youngs & Co Brewery 6½pc 1st Mtg Deb 1984/89 3¼pc

TOMORROW

COMPANY MEETINGS-
Brammer, Glaziers Hall, 9, Montague Close, London Bridge S.E., 12.00
Costain, Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 12.30
Miller (Stanley), Newcastle Most House Hotel, Coast Road, Wallsend, Newcastle-upon-Tyne, 12.00
Simon Eng., Excelsior Hotel, Manchester International Airport, 12.00
Southampton, IOW & SOE RM Steam Packet, Polygon Hotel, Cumberland Place, Southampton, 12.30

BOARD MEETINGS-
Finals:
Chillington Corpn.
Eastern Transvaal
Ferguson Ind. Hldgs.
Hartebeest
Plysu
Portsmouth & Sunderland Newspapers
Rolfe & Nolan
Stead & Simpson
TR Property Inv. Tst.
York Trust Group
Interims:
Anglo American
Carlton Communications
Fleming American Inv. Tst.
MEPC

DIVIDEND AND INTEREST PAYMENTS-
Agric. Mort. 4½pc Deb 1961/91 2¼pc
Ahmanson (H.F.) 22cts
AMAX 5cts
American Brands 55cts
American Gen. 35cts
Asarco 20cts
Asset Trust 2p
Blackwood Hodge 0.65p
Braithwaite 3.5p
British Aerospace 11.6p
CNA Gallo 5pc Pf 5cts
Capital 9¾pc 1998 4.875pc
Cater Allen 5pc Pf 1.75p
Do. 4.2pc 2nd Pf 2.1p
Corporate Estates Prop 0.45p
DG Bank Finance 11pc Bds 1990 5½pc
Dares Estates 10¼pc 1st Mtg Deb 2012 5⅛pc
Delta 6.1p
Ellis & Goldstein Pf Pf 1.75p
English China Clays 7pc Uns Ln 1998/2003 3½pc
Do 7½pc Uns Ln 1993/98 3¾pc
Era Grp. 1.5p
Ericsson (L.M.)(Telefonaktiebolaget) Ser B SK9
Erith 2p
Fleming Merc. Inv. Tst. 2⅛pc
Ford Motor 60cts
Foreign & Col. Inv Tst. 4¼pc Deb 2⅛pc
Do 7¼pc Deb 1989/94 3⅝pc
Fuller, Smith & Turner 7¼pc 1st Mtg. Deb. 1983/88 3⅝pc
GKN 9p
Gen. Cons. Inv. Tst. 4¼pc "A" Pf 1.4875p
Genfinance NV 11.49pc Ln 2007 (Reg) 5.745pc
Do. 11.49pc Ln 2007 (Br) 5.745pc
Govett Atlantic Inv. Tst. 4½pc Pf 1.575p
Do. 5pc Pf 1.75p
Do. 5½pc Pf 1.925p
Govett Oriental Inv Tst. 5pc Pf 1.75p
Halstead (James) 3.25p
Hambros Inv. Tst. 3½pc Pf 1.225p
Harris (Phillip) 7½pc Pf 2.625p
Do. 8pc "B" Pf 1-40,000 2.8p
Illingworth Morris (saltaire) 4½pc Pf 1.575p
Ingersoll-Rand 28cts
Inco 20cts
Intl. Stock Exchange of UK & Rep of Ir. 7¼pc Mtg Deb 1990/95 3⅝pc
Jones(A) 6½pc Pf 2.275p
Kleinwort Charter Inv Tst. 5pc Pf 1.75p
Law Debenture 4½pc Deb 2¼pc
Legal & General 7.7p
Lewis(John) Partnership 5pc Pf 1.75p
Liberty 8p
Do Non-v. 8p
Lister 5pc Pf 1.75p
Do. 4pc Deb. 2pc
Lombard North Central 6pc 1st Pf 2.1p

THURSDAY JUNE 2

COMPANY MEETINGS-
Aquascutum, 100, Regent Street, W., 12.00
B A T Inds., Queen Elizabeth II Conference Centre, *Broad Sanctuary, S W, 12.00*
Berry, Birch & Noble, 32, Portland Place, W., 11.30
Coates Viyella, Holiday Inn Crowne Plaza, Peter Street, Manchester, 2.30
Conrad, White House, Albany Street, W., 12.00
Etam, Barber Surgeons' Hall, Monkwell Square, Wood Street, E.C., 12.00
KCA Drilling, Hilton National Bracknell, Bagshot Road, Bracknell, 12.00
Mowlem, Royal Lancaster Hotel, Lancaster Terrace, W., 12.00
Quadro Old Brewery, 6, Blundell Street, N., 11.30
RTZ, Grosvenor House, Park Lane, W., 2.30
Telfos, Ironmongers hall, Barbican, E.C., 12.00

BOARD MEETINGS-
Finals:
Anglo Leasing
Century Oils
FKI Babcock
Imry Merchant Developers
Powell Duffryn
Siebe
Storehouse
Interims:
Anglia Secure Homes
Beatrix Mines
Buffels
Dwyer & Co
Grootvlei Prop.
Plaxton
St. Helena
Stilfontein Gold
West Rand Cons

DIVIDEND AND INTEREST PAYMENTS-
B A T Inds. 12¼pc Uns Ln 2003/08 6⅛pc
Do Fltg Rate Nts. 1986/90 (9 3/16pc) 4.669pc
Electrolux "B" 10Sk
Telfos 3p
Travis & Arnold 5.21p
Tudor 3.5p

FRIDAY JUNE 3

COMPANY MEETINGS-
Boot (Henry), Baldwin's Omega, Brincliffe Hill, Sheffield, 12.00
England (J), Davenport Park Hotel, 175-177, Buxton Road, Stockport, 12.00
Hawtal Whiting, The Brewery, Chiswell Street, E.C., 12.00
London & Metropolitan Stationers' Hall, Ave Maria Lane, E.C., 12.00
RMC, Inn on the Park, Hamilton Place, Park Lane, WE., 11.30
Rugby, Crown House, Rugby, 12.30
Scottish TV, Cowcaddens, Glasgow, 12.00
Whatman Reeve Angel, Chartered Accountants' Hall, Moorgate Place, E.C., 12.30

BOARD MEETINGS-
Finals:
Estates & Agency Hldgs
Henderson Administration
PCT Group

DIVIDEND AND INTEREST PAYMENTS-
Aquascutum 2p
Do. "A" (Rest Vtg) 2p
BSR Intl 2.35p
Boot (Henry) 9.5p
Bridon 4.5p
Camotech 1p
Cannon Street Invs. 4p
Capital & Regional Props. 0.2p
Ex-Lands 0.9p
French Connection 3.5p
Goodman Fielder Wattie 5cts
Iceland (Government of) 6½pc 1983/88 3¼pc
Intl. Bus. Comm. 2.5p
Laing (John) 5p
Do "A" Non-Vtg. 5p
London & Manchester 5.825p
McKechnie 3.8p
Metalrax 2.2p
Ossory Estates 0.15p
Quarto 3p
Rural Planning Services 1p
TV-am 3.5p
Tribble Harris 3.2cts
Whatman Reeve Angel 2.8p

SATURDAY JUNE 4

COMPANY MEETINGS-
Nurdin & Peacock, Heathrow Park Hotel, Bath Road, Longford, West Drayton, Middlesex, 11.30

DIVIDEND AND INTEREST PAYMENTS-
Berry, Birch & Noble 3p

Trade Fairs and Exhibitions: UK

Current
Homes '88 (021-780 4171) (until June 5)
NEC, Birmingham

June 7-9
International Services and Equipment for Aircraft and Airport Operators Exhibition - AIRPORT (0202 304641)
NEC, Birmingham

June 12-15
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 16-18
Personal Investment Marketing Show and Conference - PIMS (01-940 2244)
NEC, Birmingham

June 19-22
Royal Highland Show (031-333 2444)
Exbn & Trade Centre, Edinburgh

June 21-23
European Computer Communications Conference and Exhibition - NETWORKS (01-868 4466)
Wembley Centre

July 7-10
Antiques Fair (04447 2514)
Corn Exchange, Brighton

July 8-16
World Wine Fair (including gourmet food section) (01-729 0677)
Bristol Exhibition Centre

July 15-16
Cash and Carry Fashion Fair (01-727 1928)
Kensington Town Hall

July 21-28
Trade Opportunities in China (seminar on July 22)(0772 203020)
Preston Guild Hall

Overseas Exhibitions

June 5-8
International Wallpapers, Wallcoverings, Furnishing Textiles and Household Linen Exhibition - PARITEX (01-225 5566)
Paris

June 8-12
International Wine Exhibition - VINOVA (01-977 4551)
Vienna

June 11-12
National Country Fair (Dublin 338269)
Limerick

June 20-23
Pacific Transport Freight Distribution Exhibition and Conference (01-642 7688)
Singapore

June 21-24
International Jewellery and Gemstones Fair - INTER-JEWEL (02403 29406)
Hong Kong

June 25-July 1
International Chemical Fair - INCHEBA (01-378 7778)
Bratislava

Business and management conferences

June 7
Institute of Directors: Employee involvement - the benefits for business (01-839 1233)
116 Pall Mall, London

June 7-9
European MAP Users' Group/Conference Associates: European MAP/TOP/OSI symposium (01-222 9493)
Birmingham

June 8-9
Dataquest Industry Conference: Planning and positioning for the 90s (01-353 8807)
Gleneagles Hotel, Scotland

June 8-9
Intro UK: Recruiting and retaining information technology personnel (0491 681010)
Olympia Conference Centre, London

June 9
The Institute of Economic Affairs: The future of town and country planning (01-799 3745)
Royal Horseguards Hotel, London

June 12-17
International Publishers Association congress (01-580 6321)
Queen Elizabeth II Conference, London

June 13-14
Financial Times World Gold Conference (01-925 2323)
Vienna

June 15-16
The Institution of Chartered Accountants in England and Wales: Banking conference 1988 (01-628 7060)
The Inn on the Park Hotel, London

June 21-22
Financial Times/National Bank of Hungary: Doing business with Eastern Europe (01-925 2323)
Budapest

June 22
The Economist Conference Unit: Training and developing Britain's managers - the management charter initiative and its implications (01-839 7000)
Royal Lancaster Hotel, London

June 23
The Chartered Institute of Management Accountants: Management of company turnaround (01-637 2311)
63 Portland Place, London

June 23
Peat Marwick McLintock: Corporate publishing - overhead or opportunity? (01-236 8000)
Queen Elizabeth II Conference Centre, London

June 23-24
The Royal Institute of International Affairs: China- World power or regional giant (01-930 2233)
Chatham House, London

June 24
HS Conference: The tenth annual rent review conference (01-935 2382)
Cafe Royal, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

APPOINTMENTS

Cons Gold names deputy chairman

Mr Robin A.E. Herbert, a non-executive director since July 1986, has been appointed deputy chairman of CONSOLIDATED GOLD FIELDS. Lord Bridges and Sir Derek Alun-Jones have been made non-executive directors.

★

Mr Allan McDonald has been appointed sales director of E. & R. MOFFAT.

★

Mr Arthur D. Walford, formerly secretary of Cope Allman International, has been appointed secretary of BUPA.

★

NATIONAL INVESTMENT GROUP has appointed four regional directors: Mr James Woodrow (Birmingham), Mr Stephen Daniels (Guildford), Mr Timothy Scott (Preston) and Mr David Sinclair (London).

★

TILCON, the aggregates subsidiary of BTR, has appointed Mr Derek Green deputy managing director from August 1. He is managing director of AMEC Projects. Mr Green will take over as managing director on the retirement of Mr Gerry Gallagher later in the year.

★

Mr Stephen Lewis, previously marketing director of Whitbread & Co, is to join BOASE MASSIMI POLLITT in July as international business director.

★

MCAVOY WREFORD BAYLEY, a subsidiary of VPI Group, is making the following changes on June 15. Mr Dale Fishburn, chief executive of MWB, will take on the additional responsibility of chairman when Mr Michael Horstead retires. At the same time Mr Alistair Eperon, who joined the MWB board in 1987, will be appointed managing director.

★

Mr Paul Adams, formerly Northern European marketing director of PEPSI-COLA INTERNATIONAL, has been appointed operations director for Scandinavia, France and Belgium, based in London.

★

Mr Michael Southworth, managing director of Spooner Industries, has been appointed chairman of the BRITISH PAPER MACHINERY MAKERS ASSOCIATION.

★

Mr Robin Duke Woolley has become director, sales and marketing for the communication terminals division of STC TELECOMMUNICATIONS. He was responsible for divisional sales in the UK and overseas.

★

SECURITY PACIFIC HOARE GOVETT has appointed two executive directors: Mr Thomas A. Paxton, head of Eurosecurities and gilts sales and Dr George Handjinicolaou, head of swaps, interest rate and currency protection products in London.

★

Mr Frank Cockayne, marketing director of Radio Rentals, has been elected chairman of the MARKETING SOCIETY. He replaces Mr Roy Doughty after a 12-month period as vice chairman.

★

CRUSADER INSURANCE, the wholly-owned subsidiary of CIGNA Corporation, has appointed Mr George Estock as general manager, strategic planning from June 1. He was director, international reinsurance planning and control, with CIGNA Worldwide in Philadelphia.

★

J.H. MINET & CO has made Mr Mark Bowen a divisional director of the fine arts and jewellery division.

★

Following the acquisition of a majority shareholding of BECKET'S PUBLICATIONS by PIMS International, the board of Becket's is as follows: Mr Julian Henchley, Mr Alexander Henchley, Mr Keith Goodlad, Ms Elise Becket Smith, Hon. Laura Philips and Mr Martin Smith (non-executive).

★

PST TRADING has appointed Mr Henry Padolsey, formerly marketing director of Underwoods, to its board as purchasing director.

★

Sir Kenneth Couzens is to become chairman of COAL PRODUCTS on the retirement of Mr James Cowan at the end of the month. Sir Kenneth Couzens is deputy chairman of British Coal, which owns Coal Products.

★

REDIFON (formerly Rediffusion Radio Systems) has appointed Mr Cranley Onslow as its chairman. Mr Onslow, who is Conservative MP for Woking, has been associated with the company as a non-executive director since September 1985.

★

Mr Paul J Tosch has been appointed vice-president of the INSTITUTE OF THE MOTOR INDUSTRY. He is chairman and managing director of Vauxhall Motors in Luton.

★

GOOD RELATIONS has announced an expansion of its management team with the appointment of three new assistant managing directors. They are Ms Ishbel MacInnes-Manby, Mr Simon Morgan and Mr Edward Thal.

★

Mr J.G. Roberts joins GRANTRIGHT HOLDINGS as financial director at the beginning of June. He joins from Christiani Neilsen where he was chief accountant.

★

G PERCY TRENTHAM, the construction arm of Egerton Trust plc has appointed Mr Alan Munro as construction director. Mr Munro was previously with Higgs and Hill.

★

Mr Neil Curtin has been appointed managing director of the fixings and diy sub-group of six companies within WILLIAMS HOLDINGS consumer & building products division. Mr Curtin was previously European managing director of Fisons horticulture division.

★

Dr Brian Heap has been appointed managing director of the APBesson division of CRYSTALATE ELECTRONICS. He joins from AB Microelectronics where he has been managing director.

Seminars

Appointments

FT LAW REPORTS

Digest of cases reported in the Easter Term

FROM APRIL 15 TO APRIL 29

Metall und Rohstoff AG v Donaldson Lufkin & Jenrette Inc and Another
(FT, April 26)

Metall, a Swiss company, traded on the London Metal Exchange through brokers, whose chief aluminium trader perpetrated a series of frauds, allegedly known to the parent companies trading abroad. In applying to set aside leave to serve upon them for conspiracy outside the jurisdiction, the parent companies asserted that as it had not been pleaded that their sole or predominant purpose was to injure Metall, no arguable case in conspiracy was raised (*Lonrho v Shell [1982] AC 173*). In rejecting this submission, Gatehouse J stated that the *Lonrho* decision was not concerned with civil conspiracy generally but was confined to the anomalous tort of conspiracy to injure a man in his trade or business when it was indeed necessary to prove that the conspirators' sole purpose was to injure the plaintiff's commercial interests and not to advance their own interests. The *Lonrho* decision, however, was not intended to alter radically the nature of all those long-recognised types of conspiracy known as "illegal means" conspiracies where "predominant purpose" was immaterial.

Re Majestic Recording Studios Ltd and Others
(FT, April 20)

The director, Mr Heath Hadfield, stated that as he was not involved in the running of the company and had no concern with its financial affairs, he was not in breach of commercial morality and should not be disqualified under section 300(1)(b) as a person "unfit to be concerned in the management of a company." In rejecting this submission Mervyn Davies J stated that a directorship involved duties which could not be shirked by leaving everything to others (*Drincqpier v Wood [1899] 1 Ch 393*). The court had unfettered discretion to consider a director's conduct, together with any other matters that appeared relevant, including events after the present summons was issued as well as the misconduct which supported the application.

United States of America v Inkley
(FT, April 15)

Mr Inkley, on charges of fraud in Florida, entered into an appearance bond for $48,000. He subsequently received permission to travel to England and he never returned to the US. The US government, which obtained final judgment for the bond in the Florida court, started an action for recovery in the UK, stating that it was seeking to enforce the judgment as a judgment creditor and not in its prosecutorial capacity of enforcing criminal laws. In allowing an appeal against a decision that the judgment should not be set aside, the Court of Appeal stated that notwithstanding its civil clothing, the purpose of the action was due execution by the US of a public law process aimed to ensure the attendance of persons accused of crime before the criminal courts. The UK courts did not enforce a public law remedy in the nature of penal proceedings of foreign jurisdictions and the proceedings would be struck out.

In re Gosscott (Groundworks) Ltd
(FT, April 19)

In the instant case, the director sought the advice of an insolvency practitioner who advised him to seek an administration order as a more advantageous realisation of assets under section 8(3)(d) of the Insolvency Act 1986. That application was heard at the same date as the creditor's winding up petition and a compulsory order was made without opposition from the company. In deciding the question of costs, Mervyn Davies J stated that the court's discretion under section 41 of the Supreme Court Act 1981 was not affected by RSC Order 62 or the 1986 Insolvency Act and Rules. That discretion was wide enough to enable the court to order the administration costs to be treated as costs in the winding up to the date of the first hearing, to be exercised in the company's favour, having regard to the fact that the administration costs were incurred in good faith, reasonably, and on professional advice.

Ali v Furness Withy (Shipping) Ltd
(FT, April 22)

Mrs Ali brought a claim against the shipowners under the Fatal Accidents Act 1976 and the Law Reform (Miscellaneous) Provisions Act 1934 for the suicide of her husband at sea while he was suffering from paranoid delusions. The question, therefore, was whether the master had discharged the owners' duty of care when he discovered that Mr Ali was suffering from serious mental illness. In the light of all the circumstances and given the clear comprehensive and explicit information in the Ship Captain's Medical Guide, the master was not justified in believing that Mr Ali could, with reasonable safety, have been kept on board. The failure to get Mr Ali ashore was negligent as it was reasonably foreseeable that he could harm himself or others in his dangerous mental state.

Re Lo-Line Electric Motors Ltd
(FT, April 27)

In upholding an application for disqualification under section 300 of the Director's Disqualification Act 1986 notwithstanding that the person concerned was not appointed as a *de jure* director of the company, Sir Nicolas Browne-Wilkinson V-C stated that section 300 required only conduct relevant to disqualification "as a director". Thus, as a matter of construction, "director" did include a person who was *de facto* acting as a director, although not appointed as such. The paramount purpose of the section was protection of the public not punishment and there was no reason why Parliament should have intended that the decision to disqualify should turn on the validity of the appointment. As in the instant case, where someone took over the running of the company and did so in a way that constituted a risk to the creditors, a disqualification order was properly imposed although where there was no conscious dishonesty, the period of disqualification ought not to be prolonged.

Re Peters
(FT, April 29)

Mr Peters was subject to a restraint order under the Drug Trafficking Act 1986 which was varied in order to allow a lump sum payment to his son for his education in accordance with a consent order in Mr Peters' divorce. In allowing an appeal by Customs and Excise against the variation, the Court of Appeal stated that a restraint order did not prevent the meeting of ordinary and reasonable expenditure. However, having regard to section 13(2) of the Drug Trafficking Act that the court ought to exercise its powers with a view to making realisable property available for satisfying the confiscation order, it would be wrong to allow capitalisation of future expenditure, such as school fees, as that would defeat the Act's underlying purpose and protective provisions.

Aviva Golden

This digest of Easter Term cases will continue tomorrow and conclude on Friday.

Big business in a small way

For many Italian industries sub-contracting is a way of life, reports Charles Batchelor

HEAD NORTH-EAST from Venice and a two-hour drive will bring you to a cluster of small towns which proudly proclaim that they make seven out of every 10 chairs made in Italy and half of all those produced in the European Community.

Nudging the Yugoslav border the three communities of Manzano, Corno di Rosazzo and San Giovanni al Natisone form an area known locally as the "chair triangle". Nearly 800 companies employ 8,600 people directly in the various stages of chair manufacture - an average of 80-90 employees per company. A further 5,500 people are active in related industries.

The industry today is the heir to a centuries' old tradition of chair-making in the region, using Jugoslavian hardwoods and Austrian pine and marsh grass (for the straw chair bottoms) from the nearby lagoons.

In Italy, however, these close-knit communities have not only retained their vigour, they have permitted small companies to maintain their dominance in sectors which at first sight appear more suited to large-scale production.

What Manzano and its neighbours in the Friuli region are to chairs, Carpi in Emilia Romagna is to knitwear, Maniago, also in Friuli, is to knives, Prato, north of Florence, is to cloth and Trani, in Puglia, is to shoes.

What characterises these areas is a network of small sub-contractors supplying specialised parts to larger local firms which assemble the finished article. This arrangement achieves the advantages of large-scale production yet maintains the flexibility of the smaller company.

Tonon, a Manzano-based chairmaker with a workforce of 120 people and annual turnover of L12bn(£5.1m), used to carry out its own bending operations to make the curved sections used in chair backs. But bending requires specialised machinery and special skills so this activity was contracted out to another local company.

Tonon's aim, according to Raffaella Saccardo, who is on the export sales staff, has been to achieve growth on the basis of quality rather than quantity. Tonon has developed a number of basic designs which it can customise to meet a customers' individual requirements. Production costs are reduced while prices can be increased.

On the other side of town another company, Potocco, also employs 120 people producing a similar level of sales. Ten years ago Potocco had a workforce of 200 people but reduced its numbers by automating its production line and farming out some of the more specialised processes.

This reflected in part the company's desire to remain small and manageable - though both Tonon and Potocco rank among the largest chair-makers in the region - and in part the shortage of skilled woodworkers. A new woodworking school is now being built to increase the supply of skilled labour.

The new school is part of a network of support organisations which has grown up to encourage the development of the industry in the region.

Within the "chair triangle" the relationship between the companies which assemble the finished chairs and their smaller subcontractors is often a purely commercial one. But the links can be much closer.

Companies which spin off specialised activities often retain close contacts because the spun-off business is headed by a former employee or by a family member.

Sometimes the larger company will take a minority stake in its suppliers to guarantee it a say in the company's affairs. Tonon, for example, owns stakes in its suppliers of tables and upholstery, the latter a spin-off which now employs about 15 people.

If all goes well the spin-offs may become quite large "small" companies in their own right. One former Tonon employee, Celso Masarotti, broke away in the early 1970s to set up his own chair-making business, Cabas, and now employs 70 people.

The role of the family in these companies is crucial. The Potocco company was set up in 1919 by Domenico Potocco and has passed through three generations to his great grandchildren, Enzo, 32 years, who is managing director, and Antonio, 37 years, the sales manager. They are helped by their father, Valerio, now in his mid-60s.

Tonon, which was established in 1926, is run by the two grandchildren of its founder and their cousin - all three men now aged about 40. The founding families have retained their control of their companies by funding their own expansion.

Though Tonon has no family links with the companies it has spun off, small companies which establish satellite companies frequently select family members or former employees to run the new operation. These partners are not chosen because they can provide funds or because they have special skills but because they can be trusted in a way that would not be possible with a professional manager.

"The fear of not finding reliable and agreeable partners was often reflected by artisan-owners' selection of relatives or work colleagues as partners," says Mark Lazerson, a researcher at the European University Institute near Florence in a study* of small Italian mechanical engineering companies.

"In most cases artisan-owners preferred not to expand rather than risk adding a partner to share the new work obligations."

But there are other, equally compelling reasons, for Italian companies to remain small. Craft-based companies in Italy enjoy a special status exempting them from certain labour laws.

Such companies may employ between eight and 40 people, depending on the type of business they are in; for most manufacturing firms the number is 22 employees.

Craft company status gives businesses greater freedom in dismissing employees and gives less protection to unions organising in smaller companies. In practice these advantages extend to larger companies - effectively to those with between 50 and 100 employees.

Craft-based companies are also exempt from some property taxes and from maintaining records of stocks while craft-workers' pension contributions are heavily subsidised by the state.

There are, it must be said, also disadvantages to remaining small. "The bigger you are the more grants you can get - that is a question of political influence," says Enzo Potocco. But, he concludes, the penalties of size, including union influence, are too high a price to pay.

There is certainly no sign of small chair manufacturers in the Friuli triangle being tempted to merge or grow, despite increasing competition from producers in Eastern Europe, South Korea and Taiwan.

A survey carried out last March by Promosedia concluded: "Many companies indicated that specialised manufacture was the winning card for the future."

* *Organisational growth of small firms: an outcome of markets and hierarchies? American Sociological Review, 1988, Vol 53.*

Ottavio Ferrario

Enzo Potocco: a deliberate strategy to remain small

The elusive key to the fast lane

Charles Batchelor on a study of high flyers

FRESH LIGHT on why some small companies grow rapidly and others pursue a more leisurely pace of development is shed by a new study entitled Fast Growth Business in Northern England.*

The research, carried out last year by David Storey of the University of Warwick's Small Business Centre, found that fast growth firms established during the 1980s now employed three times more people than other firms in the same sectors and of a similar age.

Furthermore, the older the fast growth company the greater its relative contribution to employment. Fast growth firms established during the 1970s employed five times more people than the other companies in the study.

These findings tend to confirm the importance of identifying the fast growers for the purposes of targeting government and private sector assistance at those businesses which will make the greatest contribution to the economy. Earlier research had established that the fastest growing four companies in any 100 would create half the total of jobs generated by the group over a decade.

Other researchers, however, have questioned whether the formula for success can be distilled from such studies, given the number of imponderables which affect a business's success or failure. They point to the inability of even the venture capital industry, which puts a lot of effort into spotting high growth businesses, to avoid investing in unsuccessful or low-growth companies.

For all the disparity in the number of jobs created, fast growers do not differ from other companies in terms of profits as a share of total assets, the latest study shows. Possible explanations for this, Storey suggests, are that fast growth firms invest heavily to promote further growth or they are prepared to accept lower margins to accelerate sales growth.

Intriguingly the research showed no major differences in the backgrounds of the entrepreneurs who started the fast growth companies compared with the other businesses.

Their common characteristics were that they were predominantly male; were aged 35 to 45 at the time they started their business; had A levels, Ordinary or Higher National Diplomas rather than a degree; and had previously been employed as a manager in a small or medium-sized firm in the same sector.

"Frustration" was advanced as the most common reason for starting a business followed by unemployment or the threat of unemployment. Fast grower or not, the average entrepreneur works a 55-hour week.

Key differences between the fast growers and the rest started to emerge when Storey and his research team looked at the ambitions and objectives of the entrepreneurs. Fast growers emphasised profitability, market share and sales while slower growth business owners stressed job satisfaction and life-style.

Significantly, many of the fast growth managing directors did not have an office but spent a lot of time on the shop floor or in the offices of colleagues.

The role of marketing expertise also appeared crucial. Among the fast-growth firms 94 per cent had a manager with a marketing background or expertise compared with just 37 per cent among matched firms. The fast growers consistently demonstrated greater market awareness – of their own strengths and weaknesses or the activities of their competitors.

Fast growth firms were more than twice as likely as others to have introduced new products or services over the past two years or to plan to do so in the next two years.

While 45 per cent of fast growth firms exported a proportion of their products or services just 15 per cent of slower growth firms did. Twenty per cent of fast growth firms were significant exporters compared with only 5 per cent of matched firms.

Fast growers were generally less satisfied with the services they received from the organisations providing advice and assistance. Only 63 per cent were satisfied with their local clearing bank, for example, compared with 94 per cent satisfaction among matched firms.

The study, which was commissioned by accountants Price Waterhouse and the Department of Employment, looked at 20 fast growth and 20 slower growth firms in the same sectors and of similar ages. Half the companies of each type had fewer than 50 employees, the other half had between 50 and 500.

**Contact John Wall, Price Waterhouse, Sun Alliance House, 35 Mosley Street, Newcastle upon Tyne, NE99 1PL. Tel 091 232 8493.*

Narrow approach adopted to use of consultants

SMALL BUSINESSES are starting to make greater use of management consultants but still see them mainly as a way of solving specific internal problems rather than tackling more fundamental external issues, according to a new study*. When the small company calls in a consultant it is likely to want him to put right an internal inefficiency rather than address more important threats such as changes in customer demand or shifts in the behaviour of competitors. This is the view of the authors, both MBA students at the London Business School.

Fortunately for the small business owner, they say, the way the Department of Industry's Enterprise Initiative is structured overcomes part of the problem posed by this narrow approach.

The two-day free counselling session provided to small firms allows an outsider to assess what the real problem is and recommend the most appropriate area of advice. Previous schemes required the businessman to choose in advance the sort of advice he thought he needed.

The initiative provides subsidised consultancy in six areas. They are design, quality management, marketing, manufacturing methods and systems (all of which have been covered in previous consultancy programmes), and two new subjects, business planning and financial and information systems.

Of the companies interviewed which had used consultants 78 per cent had employed them to address issues relating to quality assurance, computer systems or operations management. Twenty-two per cent had employed consultants to look at human resources issues while none had used them to consider marketing or other externally focussed subjects.

Small company managements also spend more of their own time examining internal issues. The study found that 98 per cent of companies contacted had in the previous year analysed where cost savings could be made while 95 per cent had formally considered where productivity improvements could be made.

The response for external matters was very different, the researchers say. Only 30 per cent of companies had formally surveyed their customers' views on product quality or service levels while only 25 per cent had explicitly analysed the strengths and weaknesses of their competitors.

An almost exclusive concern with internal issues may lead small company owners to confuse the symptoms of a problem with its cause, the study warns. The cause of many business problems lies in an inadequate understanding of the external environment including new moves by competitors and changes in customer preferences.

A number of management consultants interviewed for the survey said many of the internal crises which confront smaller companies could be avoided if more attention were paid to formal planning. In particular, many companies failed to focus on the strategic aspects of marketing, frequently confusing it with "selling."

The researchers did however detect signs of an improvement in the fact that the marketing and business planning options in the Enterprise Initiative had attracted the greatest interest.

The Enterprise Initiative does appear to be creating a new market for consultancy services, the authors conclude. In the London area alone the DTI says that 90 per cent of companies which have had a business review would not have used consultants without the new scheme. About half of these companies are expected to continue with a subsidised consulting assignment.

The study not only contains advice for the smaller company. It also has words of warning for the consultants. Many are not particularly good at marketing themselves. Mail shots are ineffective, with seminars being a better way to sell consultancy, the authors conclude.

The research was based on interviews with 40 companies with turnover of between £1m and £20m and employing up to 500 people, with seven of the accountancy based consultancy firms and with five small consultancy practices.

**The Market for Strategic Management Consultancy Services: Implications and Recommendations for Consultants and their Clients by Nicholas Kitchin and Adam Pharaoh. Sponsored by Coopers & Lybrand Business Services Unit. Full report priced £20 from the authors at London Business School, Sussex Place, Regent's Park, London NW1 4SA.*

CB

Businesses Wanted

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Enquiries to P S Dunn FCA:

LEONARD CURTIS Chartered Accountants
PO Box 553, 30 Eastbourne Terrace, London W2 6LF. Tel: 01-262 7700.

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1 de Walden Court
85 New Cavendish Street
London W1M 7RA
Tel: 01-631 0659

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By Order of the Liquidator, P Edgson-Wright Esq FCA, Messrs Shaws
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Box H3502. Financial Times, 10 Cannon Street. London EC4P 4BY

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Our client is willing to pay a competitive price for the right business, including earn-out *arrangements in appropriate cases.*

In the first instance, please telephone Stan Patey (01-822 4703) or Vir Lakshman (01-822 4952) in complete confidence. Alternatively, please write, quoting reference PC 380 to:
Coopers & Lybrand, Plumtree Court
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Seeks to acquire profitable private companies in compatible businesses, for example: Life Assurance; General insurance; Offshore Management; Travel; Management Consultancy; Fund Management.

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Box H3511, Financial Times,
10 Cannon Street, London EC4P 4BY

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Private Companies in the following related fields:- Construction, Property or Housing.

Write Box H3510, Financial Times, 10 Cannon Street, London EC4P 4BY

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Please contact in strictest confidence
M W Powell
0490 877569 or 0264-65925.

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A Company in Industrial Automation with an existing customer base and products comprising or associated with Sensors and/or Transducers. Turnover considered £500,000 - £2,000,000. The chosen company would be incorporated or amalgamated with the U.K. base of this international organisation and its products would be marketed throughout the group.

Please reply in total confidentiality to Box H3501, Financial Times, 10 Cannon Street, London, EC4P 4BY

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by Diversified PLC. Consideration Given to:

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Company Notices

SOCIETE GENERALE
French "Societe Anonyme"
Capital: French Francs 1,677,610,250
Head Office: 29, boulevard Haussmann - 75009 PARIS - France
Commercial Register: PARIS B 552 120 222
FIRST NOTICE

The holders of international notes hereinafter specified issued by SOCIETE GENERALE are convened to an General Meeting to be held at 3, rue La Fayette - 75009 PARIS (France) on June 15, 1988:
- at 3 p.m for the holders of step-up notes (1987-1992) in yen
- at 3.30 p.m. for the holders of 9% notes (1987-1992) in sterling pound,
- at 4 p.m. for the holders of 7.80% notes (1987-1992) in U.S. dollar,

In order to consider the following agenda:
- Appointment of the noteholders' permanent representatives' designation of the substitute representatives.
- Determination of the noteholders' representatives' powers and of the remuneration given to the permanent representative.
- Decision on the method of recording the documents of the general meeting.

To permit the noteholders to attend or to be represented at these meetings, the notes or their deposit receipts, must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these notes and from whom proxies or admission cards can be requested. These meetings shall be validly held if the holders of twenty five per cent of the outstanding notes entitled to vote are present in person or represented.

The Board of Directors

GADEK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the half yearly debenture interest of 10% per annum will be paid on 30th June 1988 to debenture stockholders whose names appear on the register of debenture stockholders at the close of business at 5.00 p.m. on 20th June, 1988.

By Order of the Board
AHMAD SHAHAB B HAJI DIN
RIDWAN BIN MUSTAFFA
Secretaries

Kuala Lumpur
Malaysia
31st May, 1988

Legal Notices

IN THE MATTER OF
GARROD & LOFTHOUSE LIMITED
AND
IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 18th day of July, 1988, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and address of their Solicitors (if any), to the undersigned BRIAN MILLS OF BOOTH, WHITE & CO, of 1 WARDROBE PLACE, CARTER LANE, ST PAULS, LONDON EC4V 5AJ the Liquidator of the said Company and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 25th day of April 1988

BRIAN MILLS FIPA

Contracts & Tenders

TATE'S CAIRN TUNNEL & APPROACHES, HONG KONG NOTICE OF PREQUALIFICATION OF TENDERERS FOR MECHANICAL & ELECTRICAL WORKS

Gammon-Nishimatsu Joint Venture, the Main Contractor for the Design and Construction of the Tate's Cairn Road Tunnel and Approaches intends in July 1988 to invite tenders from prequalified Contractors for the execution of the whole of the Mechanical and Electrical Works.

The Tate's Cairn Tunnel and Approaches which shall link North East Kowloon with Shatin are being built and operated under the terms of a franchise recently awarded by the Government of Hong Kong. The Project consists of elevated and at grade approach roads connecting to twin 4 km long dual lane road tunnels. Commercial operation of the road tunnel will commence in July 1991. The scope of the Mechanical and Electrical Works tender will include:-

Mechanical Ventilation, Lighting, Power Supply, Fire Protection, Traffic Surveillance, Toll Collection.

and is proposed to be let as one contract.

Contractors having experience of integrated mechanical and electrical systems for major road tunnels who wish to obtain pre-qualification documents are invited to apply in writing (English), before 11 June, 1988 to:-

The Project Manager, Gammon-Nishimatsu Joint Venture, Room 508, Star House, Salisbury Road, Kowloon, Hong Kong.

Telephone 3-694641. Telex 56326 NICON HX. Fax 3-7221712

Contractors are advised that joint ventures will be considered and importance will be placed upon Hong Kong experience. Contractors not having such experience should consider this criteria when completing the pre-qualification submission.

Gammon-Nishimatsu Joint Venture reserves the right to reject any Contractor's application at its discretion and without explanation.

Company Notices

FIDELITY INTERNATIONAL FUND
Société d'Investissement à Capital Variable
13, Boulevard de la Foire
Luxembourg
R.C. Luxembourg: B 25064

Notice of General Meeting

A General Meeting of shareholders was convened for March 17, 1988 but, because of a lack of quorum, could not validly deliberate on item 9 of the agenda and was adjourned.

Notice is hereby given that this second General Meeting of the shareholders of FIDELITY INTERNATIONAL FUND, a société d'investissement à capital variable organised under the laws of Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 13 Boulevard de la Foire, Luxembourg, at 11 a.m. on June 20, 1988, with the following agenda:

1. Proposal, recommended by the Board, to amend the provisions of Articles 7 and 8 of the Fund's Articles of Incorporation which presently provide that any owner of more than 3% of the number of shares the Fund is authorised to issue may be required by the Fund to redeem that excess amount. The Board recommends that the provisions be amended to permit the Fund to require any beneficial owner of more than 5% of the outstanding shares to redeem the excess.
2. Consideration of such other business as may properly come before the meeting.

The conduct of the shareholder's meeting shall be governed by the quorums required by law. Shareholders are advised that under Luxembourg law no minimum number of shares will be required to be present or represented in order for a quorum to be present at this meeting or for valid decisions to be taken on the items of the agenda. Resolutions to be proposed on item 1 of the agenda will require the concurrence of two thirds of the total number of shares represented at the meeting. Subject to the limitations imposed by the Articles of Incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: May 20, 1988

By Order of the Board of Directors.

WORLD WIDE GROWTH FUND

Notice to Shareholders

The Board of Directors of World Wide Growth Management Company S.A., in their meeting held on 30th March 1988, have considered with the Depositary that, because of the contracted size of the Fund and because the fixed recurring expenses have become increasingly important in comparison to the current income, it is in the best interests of the shareholders and the managers alike to terminate the operations of the Fund and proceed with its liquidation.

In accordance with Article 19 of the Management Regulations, issues and redemptions of shares and the calculation of the net asset value has been suspended as from this date.

It is expected to reimburse to the remaining shareholders the corresponding net asset value per share on 30th June 1988, but no assurance can be given that this date will be respected.

Shares should be presented to the paying agent, Banque Paribas (Luxembourg) S.A. At the close of liquidation any outstanding amounts will be deposited with the Caisse des Consignations in Luxembourg on behalf of the beneficiaries.

All accounting records and legal documents relating to the Fund will remain at the registered office of the Fund, 10A Boulevard Royal, Luxembourg.

31st March 1988

On behalf of the Board
J. Pierson
General Manager

COMPAGNIE DE SAINT GOBAIN
Public Company with a capital of F 4,418,595,300.-
Registered Office : "Les Miroirs" 18 Avenue d'Alsace 92400 COURBEVOIE
RCS NANTERRE B 542 039 532
Participating stock April 1984 of ECU 1000 each

As the ordinary General Meeting provided on 27 May 1988 for the participating stock owners of ECU 1000 issued in April 1984 by SAINT GOBAIN, could not deliberate, missing the quorum, the participating stock owners are again convened by the board of directors in ordinary General Meeting on 9 June, 1988, at 10.00 hrs at the registered office of the Company, "Les Miroirs" 18 Avenue d'Alsace in COURBEVOIE (92400). This meeting will enact on the following agenda:
- Board of directors' report on the company's operations for financial year 1987,
- Auditor' report on financial year 1987 accounts and elements for fixing the participating stock yield,
- Fixing the income of the masse entitled representatives.

To attend the meeting the participating stock owners will have to provide a blocking affidavit issued by the trustee and in order to appoint a deputy at the meeting they will have to add a proxy to this affidavit.

The deposit affidavit and the power sent for the meeting of the 27 May 1988, still available for the hereby mentioned meeting.

The Board of Directors

MELLON BANK NA
USD 250,000,000 Floating Rate
Subordinated Capital Notes Due Nov 1996

Notice is hereby given that for the period May 31, 1988 to Aug 31, 1988 the notes will carry an interest rate of 7⁹⁄₁₆ pcnt pa. Interest payable on August 31, 1988 will be USD 982.29 per USD 50,000 note.

Chemical Bank
As Agent Bank

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $50 MILLION GUARANTEED FLOATING RATE NOTES 1989 EXTENDIBLE AT THE HOLDER'S OPTION TO 1992 (2ND ISSUE).

The interest rate applicable to the above Notes in respect of the six month period commencing Tuesday, 31st May 1988 has been fixed at 8% per annum. The interest amounting to US $40.67 per US $1,000 principal amount of the Notes will be paid on Wednesday, 30th November 1988 against presentation of Coupon 12.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

bank leumi בנק לאומי

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE
U.S.$300,000,000
Floating Rate Notes due 1996

In accordance with the provisions of the Agency Agreement between Banque Exterieure d'Algerie and Citibank N.A. dated as of May 22, 1985, notice is hereby given that the interest has been fixed at 8.0625% p.a. and that the Coupon Amount payable on November 30, 1988 against Coupon No 7 will be US$409.84 for each Note of US$10,000 and US$4,098.44 for each Note of US$100,000.

By CITIBANK N.A. (C.S.S.I. DEPT) London Agent Bank.

MAY 31, 1988

Tate in the North/William Packer

Learning to live in Albert Dock

At last the Tate in the North is open to the public, and with sculpture installed and paintings on the walls, we can begin to assess the proper scope and limitations of the enterprise.

I say begin advisedly, for though this is one of James Stirling's more discreet and, on the whole, successful essays in the service of art, there are bound to be difficulties at the start. What can and cannot be done are discovered in the use of a building, not in the planning, and it would be foolish to expect perfection. How ghastly we thought the Hayward Gallery when it opened 20 years ago, and how admirably the Arts Council has learned to cope with it. The Barbican, too, has proved surprisingly amenable.

Liverpool's Albert Dock is hardly in the same dire class, for it is an extremely handsome mid-19th century warehouse on a spectacular site. Within it Mr Stirling has contrived a succession of large and practical spaces that are beautiful in themselves and yet respect the character of the building. But that character is still intrusive, with cast-iron pillars and brick vaults that are a constant presence to the eye. We must give ourselves time to get used to it, and to the idea of addressing art undistractedly in the atmosphere it creates.

The paraphernalia required of any modern museum of the highest class – for lighting, air-conditioning and security – hardly helps either, but that, too, we must learn to accept. The massive service ducts may be as elegant as modern design allows, but they are not invisible. They present a particular problem in the large gallery on the ground floor, where Mark Rothko's great sequence of canvasses for the Seagram Mural Project are shown, made no less severe by the height at which the works are hung. The light is low but uneven; some of the shadows cast upon particular works unacceptable; and the physical presence of those ducts both inescapable and oppressive.

Picasso's Weeping Woman can be seen until next year in the Surrealism display at the Tate, Liverpool

But none of these problems is insurmountable, and the finer curatorial tuning and experiment they propose merely an important part of the job. The other large gallery on the ground floor is much happier in its display of Surrealism (until March 5 next year), and the recent British sculpture is beautifully shown in the more open galleries on the first floor. The galleries on the second floor are at present empty, but are just as promising.

The Liverpool Tate is not intended at present as a holding gallery, with a permanent collection of its own and a policy of acquisition, but solely as an exhibiting gallery for the art of the 20th century. It will generate special exhibitions from within the Tate's own resources and by loan, and will also put on for extended periods more general displays taken from the collections held in London. Though these last may change in detail, as particular works are required for other use, they will remain in essence the same.

Thus the larger room on the entrance floor is now given to the Tate's holding in Surrealism. It is a dense and stimulating presentation that says as much about its subject by cutting across schools and chronology as by any more orthodox analysis. To see Klee as a surrealist in his drawings of the early 1920s is both reasonable and provocative, and so too with the early metaphysical de Chirico. It is good to see Paul Nash given his true international standing among his peers. By hanging an early Gottlieb, of 1945, beneath a Max Ernst of 1934, the point is neatly made that the abstract expressionists of the New York School were the children of European surrealism. Next door, in the prefatory display to the Seagram Rothkos (also until March 5), that same point is driven home with rather more force.

Starlit Waters is the special exhibition (until September 4: sponsored by ICI and the Henry Moore Foundation) that fills the two upper galleries with a partial view of recent British sculpture. Glossed as "An International Art 1968-1988," in truth it is nothing more than the work that the world has come to regard as Britain's peculiar contribution to the art of the 1970s and 1980s.

Even so it is a large claim to make, and represents at best a mere half-truth: the success of this work has been largely bred of itself, helped by assiduous institutional promotion at home and abroad, at the expense of work quite as interesting but of other kinds. Long, Flanagan, Gormley, Deacon, Woodrow, Craig-Martin, Finlay, the omnipresent Tony Cragg and the like are hardly the only sculptors we have to offer, good as they are, nor did they spring fully armed out of a creative desert.

Their work is characteristically clever, witty, literary, self-conscious in its play upon idea and concept, the sculpture of the mind. Good luck to it, but I would have wished at this moment, in this context, only for something more generous and catholic.

Fidelio/Coliseum

David Murray

Beethoven's opera returns in Joachim Herz's production for the English National Opera, and with "interesting" singers rather than heroic voices. That's all to the good: *Fidelio* must at all costs be spared the status of a licensed vehicle for stars (I don't suppose for a moment that Jon Vickers ever thought of the opera in those terms, but I wouldn't vouch for Madame Nilsson). Vocal purists will not rate the current performances highly; the rest of us will be much moved, and grateful for it.

Billed as a soprano, Kathryn Harries – the new Leonora – is an unarguable mezzo, with pungently beautiful middle and low registers and a insecure upper extension: the hazards are self-evident. So is the dramatic credit that accrues to her boyish guise as "Fidelio," however; and the relentless but dignified intensity of her playing – like everyone else's, notable less for subtlety than for plain commitment – captures one's sympathy instantly and never lets go. Her Florestan is Graeme Matheson-Bruce, whom I last saw years ago as a pocket Parsifal in the East End: the edge of reckless desperation in his voice is intact, and as apt and affecting as his horribly etiolated appearance in the dungeon.

Alistair Muir

Kathryn Harries in the English National Opera's Fidelio: The dignified intensity of her playing captures sympathy and holds it throughout the performance

As a character, Richard Angas's gaoler Rocco develops ripely and ambiguously, though his frayed bass neither anchors the ensembles nor fixes the comfortable heartiness of the "Gold" song. Susan Bullock's Marzelline, a delectable tease, spins a whimsical-lyrical line while Alan Woodrow as her Jacquino – here an unusually weighty presence – operates in a petulant *parlando*: separately effective, but musically ill-matched. Neil Howlett has most of the right vocal metal for wicked Pizarro, and looms with the right brutality. As the governmental *deus ex machina* John Tranter is mellifluous to a fault: Don Fernando's words must carry authority, but they melt in his mouth.

As re-staged by David Walsh, the Herz production retains the stamp of Serious Teutonic Modernism (which has spread to France, too) in its glacial clarity, in the sheer largeness and the stark industrial cut (the French usually substitute glass panels for that element) of Reinhart Zimmermann's prison set, and in the heavy stop-frame insistence upon Significant Moments. Kees Bakels, the obviously talented conductor, responds to the manner all too keenly: from the canon-quartet onward he applies a reverent brake at each musico-dramatic node of the piece, like those conductors who have just discovered the depth of the "Soave sia il vento" trio in *Cosi* or the final Count-Countess exchange in *Figaro*, and decide that only slow-motion can do them justice.

It doesn't always do justice to his singers; nor does his hyper-excitement at the final triumph, which leaves them too nearly breathless. Something homely, direct and voice-friendly in Beethoven's music is put at needless risk. There are still enough marks of penetrating sympathy in Bakels' reading that it remains vital, not fatally self-conscious – the whole of the dungeon-scene exercises a tremendous grip – and his cast supplies more than enough dedicated fervour to enlist our best instincts.

The Deep Blue Sea/Haymarket

Michael Coveney

Odd how Alan Strachan's revival of Terence Rattigan's play begins with a recording of a John Field piano nocturne. Field was a precursor to, and source of, Chopin's genius, just as Rattigan was an echo, especially in this play, of Chekhov's.

In a week when Michael Gambon has bestrid the West End stage as Vanya, we do well to remember that the actor's emotional depths were first plumbed by Alan Ayckbourn, as were Penelope Keith's. And Vanya was a survivor re-write of the earlier Chekhov play *The Wood Demon* in which the hero shot himself.

Should Hester Collyer, the clergyman's daughter who has walked out of a respectable marriage on a flood of lustful whimsy, have put another shilling in the gas meter? Vanya in the later play is condemned to something much more tragic than death – a continued life.

The same fate befalls Hester Collyer, and not the least of Miss Keith's remarkable achievements in this role is her growth into a sort of grim and hard-won feminine independence.

The play starts with a failed suicide and ends with a rejection of such easy options. With the passing years it has become a period tragedy with perennial resonance, Hester occupying the same emotional and dramatic waters as Flaubert's Emma Bovary and Pinero's Paula Tanqueray. Miss Keith sails through with defiant flags unfurled, using her manners of social dominance as a mask to conceal the consequences of one moment of lustful weakness at the Sunningdale Golf Club.

Rattigan is at his most powerful when characters don't talk about what has driven them to distraction. As is well documented, Hester's suicide bid has precedence in the sad fate of a young man whom Rattigan adored, Kenneth Morgan. Love that dares not speak its name finds conventional expression in a rather prurient dismay at Hester's weakness. Her husband, Sir William (Anthony Bate), is a Judge whose generous understanding of her plight is the greatest quality in the play.

Hester has joined the alternative world of incipient suburbanites and bohemians that occupy the land of rented lodgings. Here reside the curious struck-off immigrant Doctor Miller of John Normington (a beautifully tentative performance) and the dangerously formal Foreign Office couple who discover Hester by the gas fire (Adam Blackwood's performance as Philip Welch is disastrously weak and nearly ruins the first act).

We see, especially, how people were striving to define their existence in ration-bound post-War London. David Yelland's Freddie Page, the displaced test pilot who made Kenneth More's name on both stage and screen, is a brilliantly discomforting portrayal, a grimly jaundiced wreck from the 19th hole only too ready to turn Hester's despair to his own self-advertising advantage. The peculiar eerie horror of Hester's position, fully conveyed by Miss Keith, is that sex happened long ago and probably by mistake. She made the tragic error of putting too much store by a moment of physical indulgence.

Alastair Muir

David Yelland and Penelope Keith appear in The Deep Blue Sea at The Haymarket

That will never do in Ladbroke Grove. People must disguise themselves to get on. The doctor is a bookie's runner. The archaic boulevard rhetoric of the dialogue itself conveys an air of deceit and double-cross. The lovely landlady of Julia McCarthy cuts across this, as does the bleakly disturbing revelation that the Collyers' marriage was more than sexless, it was childless.

Miss Keith comes of age as a serious actress in this role, and not before time. She is magnificent, mixing the desperation of a woman entering a new life with that of a palpably well qualified denizen of the old. Her interpretation is newly definitive and most skilfully considered.

Red Moon/Brighton Festival

Clement Crisp

The Brighton Festival pulled off a coup last year by showing us the first appearance in Britain of the Finnish dancer and choreographer, Jorma Uotinen. The passion of his dancing, its neurotic unease, were the motor force of *Scream*, a solo portrait of a man riven with grief at the loss of a beloved. Enterprisingly, Brighton has again invited Mr Uotinen this year; last week he repeated *Scream*, and on Thursday night introduced us to his Helsinki Dance Company in his *Red Moon*.

The stage is set with metal frames of lift doors, and with oil drums. The five men wear trousers, singlets, trilbies; six women are dressed in somehow provocative skirts and tops over patterned tights. The score is largely comprised of the insidious, fantasticated tangos of Astor Piazzolla. With these ingredients, Mr Uotinen creates a world of streetwise awareness, of extreme sexual tension, of despair, and – most remarkable – an erotic honesty that gives the dancers and the dance an uncompromising pace.

At worst one might accuse Mr Uotinen of exploring a single emotional vein for the 80 minutes duration of the piece. But he varies and builds his effects, and inspires such performances from his dancers – a team of wonderfully gifted and expressive artists – that there is no sense of monotony. Rather do we find ourselves plunged deeper and deeper into a comprehension of the sensual frustrations and sexual urgencies of these urban folk: the men by turns predators and victims, the women alley-cats or sirens.

The sense of location is brilliantly evoked in the setting, as the dancers pose within the skeletal framework of the lift-cages or lurk beneath the shadows cast by the oil-drums (the piece is magically lit by Claude Naville) and the dance cuts across the Gardner Centre stage, exploding with the physical desires of the cast. Performances, as I have suggested, are uniformly brilliant, and I hope I have correctly identified Helena Haaranen as a girl whose interpretation can slash like a razor, and Kimmo Sandell as a man almost broken by his passions.

Names, though, mean less than the over-all power of the company and of Mr Uotinen's ability to shape movement that stretches, foreshortens, impels the dance just as Piazzolla's superb tangos re-make the musical form he uses. The only miscalculation in the piece seems to me the inclusion of a crass musical adaptation of part of Bizet's *Carmen* for the final effect of a mass stabbing, that rings somehow false after the frankness and honesty of what has gone before. But it is a tremendous evening, tremendously danced and tremendously worth watching.

Moscow Philharmonic/Barbican

Max Loppert

The Shostakovich Fifth Symphony that the Moscow Philharmonic gave on Friday under its Principal Conductor, Dmitry Kitayenko, was bland and unrousing. Across the span of the entire work there was so little evocation of the dramatic contrasts normally to be counted on that one might reasonably assume this to be the conductor's interpretative intention – a corrective to the conventionally overblown view of this work.

And indeed, on its own terms the performance was scrupulously controlled and sustained. Tempos were not just carefully chosen but carefully related; the biggest climax was reserved for the finale, which proved the structural lucidity of Kitayenko's approach. But the price to be paid for this sane, balanced Fifth seemed to me, in the end, rather high, for there went with it a rationing of orchestral colour (except for a fruity and ill-tuned first horn) that amounted to a shortage. There was little sense of shiver in the quiet intrusion of harp or celesta, little concern for atmosphere, little excitement.

It was a curious, and disappointing, concert. The opening work, Weber's *Oberon Overture*, carried the unatmospheric approach to extremes. (Odd experience, to hear Russian orchestral timbres so short on native brightness of colour!) In the Emperor Concerto, the soloist, brittle-fingered and edgy, was the young American Derek Han. He seemed to be working extremely hard to little purpose – though the sluggish accompaniment might well have held the clue to the impression.

Four nights of jazz

Sounds Good is the umbrella title for four successive nights of international jazz to be presented on the South Bank in London from June 30 until July 3.

Starring will be the trio of guitarist John McLaughlin (Thursday, Festival Hall); Chris McGregor's Brotherhood of Breath and Craig Harris' Tailgater's Tales (Friday, Elizabeth Hall); the Tony Williams quintet and the Phil Bent band with Paul Reid (Elizabeth Hall, Saturday) with the final evening (also Elizabeth Hall) featuring the Charles Lloyd quartet plus the 29th Street Saxophone Quartet.

The *Sounds Good* festival has the financial support of Greater London Arts and assistance from the South Bank Centre.

Record prizes in awards for authors

A record sum of £64,400 was awarded at the Society of Authors annual reception at the Middle Temple Hall in London last week. The money went to the winners of the Cholmondeley Awards for Poets, The Eric Gregory Awards, The Somerset Maugham Awards, the Travelling Scholarships, and the Betty Trask Awards.

The £6,000 Cholmondeley Awards were shared by John Heath-Stubbs, Sean O'Brien and John Whitworth, while the £25,000 Eric Gregory Awards, also for poets, were won by Michael Symmons Roberts (£7,000), Gwyneth Lewis (£6,000), Adrian Blackledge (£5,000), Simon Armitage (£4,000) and Robert Crawford (3,000).

Jimmy Burns (The Land That Lost its Heroes), Carol Ann Duffy (Selling Manhattan) and Matthew Kneale (Whore Banquets) shared the £12,000 Somerset Maugham awards; the £4,400 Travelling Scholarships, which are non-competitive awards for the writer's work in general, were divided between A.L. Barker, Eva Figes, Allan Massie and David Rudkin.

The Betty Trask Awards, which cinsist of £21,000 split into two joint prizes of £6,500 and four of £2,000, were won by Alex Martin for The General Interruptor and Candia McWilliam for A Case of Knives, and Georgina Andrewes for Mtzungu Woman; James Friel for Left of North; Glenn Patterson for Burning Your Own; and Susan Webster for Small Tales of a Town.

The prizes were introduced by A.S. Byatt.

Arts Guide

27 May - 2 June

Opera

LONDON

Royal Opera (Covent Garden). For what may be her farewell appearances here, Joan Sutherland leads a new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts, and the cast also includes Susanne Mentzer, Dimitri Kavrakos, and John Aler. It is hoped Jon Vickers, ill for the opening performances of the Peter Grimes revival, will this week be returning to the house.

English National Opera (Coliseum). In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived, with members of the original Wagner cast – Kathryn Harries, Graeme Matheson-Bruce, Neil Howlett, and conductor Kees Bakels. Also in repertory: Nicholas Hytner's wholly delightful new Magic Flute production, with Thomas Randle, Susan Bullock and John Connell.

PARIS

Faust (Paris Opéra). Conducted by Alain Lombard with Faust sung by Alberto Cupido/Jean Dupouy; Mephistopheles by Jose Van Dam/Jean-Phillippe Courtis, and Marguerite by Gabriella Banackova/Michele Lagrange. This alternates with The Nutcracker (47 42 53 71).

Pina Bausch and the Wuppertal Tanztheater (Théâtre de la Ville) with Ahnen, in which choreography reflects her gentler feelings about human relationships (42 74 22 77).

Thais (Opéra Comique). Massenet, combining religious feelings with sensuality, conducted by Lawrence Foster in Nicolas Joel's production (47 42 57 50).

VIENNA

Volksoper. Die Fledermaus by Johann Strauss, conductor Carlos Kalmar, with Gabriele Fontana, Elisabeth Kales, Rudolf Wasserlof Der Freischutz by Weber, conductor Dietfried Bernet (Thurs.) Das Land des Lächelns by Lehar, conductor Rudolf Bibl (Wed). (51444. Ext. 3318/3319.)

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring highlights include the world premiere of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquesto's set, along with the new productions of Gaité Parisienne choreographed by Leonide Massine, and Raymonda, choreographed by Mikhail Baryshnikov after Pepita. (362 6000). Ends June 11.

New York City Ballet (New York State Theatre). Celebrating its 40th anniversary, the company has commissioned 20 works, including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Luvovich and Paul Taylor. Ends June 26.

NETHERLANDS

Amsterdam. The Netherlands Opera in the Dutch premiere of Nixon in China by John Adams, with libretto by Alice Goodman. Directed by Peter Sellars and designed by Adrianne Lobel. Edo de Waart conducting the Holland Festival Orchestra, with James Maddalena as Richard Nixon, Carolann Page as Pat, Sanford Sylvan (Chou Enlai) and John Duykers (Mao Tse-Tung). (Thur) (255 455).

The Hague, Danstheater. The Nederlands Dans Theater with the world premiere of Jiri Kylian's Kaguyahime, a Japanese fairy tale to music by Maki Ishii performed by the Dutch Circle Ensemble and Japan's Kodo Ensemble. (60 49 30).

WEST GERMANY

Berlin, Deutsche Oper. Der Troubadour is a Herbert von Karajan production. Götterdämmerung has a strong cast led by Gwyneth Jones, Karan Armstrong, Toni Kramer and Gottfried Hornik. Der Fliegende Holländer has Simon Estes in the title role. Also offered: Giselle and Schwanensee.

Hamburg, Staatsoper. Cav and Pag stars Grace Bumbry, Giorgio Lamberti, Natalia Troitskaya, Vladimir Atlantov and Juan Pons. L'Elisir d'Amore features Marie McLaughlin, Franz Grundheber and Rolando Panerai. Le Nozze di Figaro has Linda Plech, Eva Maria Tersson and Peter Gallard. Il Barbiere di Siviglia with Hellen Kwon, Eva Maria Tersson and Geoffrey Moses. Also in repertory, a Kurt Moll lieder recital and La Bohème.

Cologne, Opera. Carmen features Victoria Vergara, Harald Stamm and Josef Protschka. Britten's Ein Sommernachtstraum, produced by Willy Decker will have its premiere this week. The main roles are sung by Paul Esswood, Teresa Ringholz, Dirk Bach and Harald Stamm. Die Zauberflöte is a well done repertoire performance with Hellen Kwon and Nadine Secunde.

Bonn, Opera. The highly acclaimed Die Meistersinger von Nürnberg is offered for the last time this season with Bernd Weikl outstanding in the title role. William Murray, Sue Patchell, Peter Hofmann and conducted by Peter Schneider. Der Liebestrank in Giancarlo del Monaco's production takes the leads Kristina Laki, Dalmacio Gonzales, Brian Schexnayder and Gunter Schneider.

Stuttgart, Opera. Otello, conducted by Garcia Navarro, convinces thanks to Julia Varady, Desdemona. Tannhäuser has Verna Schetzer, Waltraud Meier, Matthias Holle and Toni Kramer as leads. Madame Butterfly rounds off the programme.

Music

LONDON

Andrei Gavrilov, piano: Schumann, Schubert. Festival Hall (Thur).

London Symphony Orchestra conducted by Yuri Temirkanov with Shlomo Mintz: Schubert, Mozart, Vivaldi. Barbican Hall (Thur).

VIENNA

Vienna Philharmonic conducted by Christoph von Dohanyi: Webern, Brahms, Schoenberg. Musikverein. (Fri) (65 81 90.)

Vienna Symphoniker conducted by Georges Prêtre: Debussy. Konzerthaus (Fri). (72 12 11).

Vienna Mozart Orchestra: conductor Konrad Leitner. Sofiensaele (Fri) (72 21 98 or 62 71 920).

The Vienna Hofburg Orchestra and the Vienna Sinfonietta, conductor Kurt Rapf: Mozart, Schubert, Johann Strauss. Hofburg. (Wed). (42500. Ext. 2065/3095.)

NETHERLANDS

The Hague: Philipzaal. Alain Lombard conducting the Netherlands Philharmonic with singers and the Netherlands Concert Choir: Beethoven (Thur) (60 98 10).

Nijmegen: Vereniging. The Gelderland Orchestra conducted by Leo Driehuys, with Emmy Verhey, violin, and Frederic Meinders, piano: Brahms, Mendelssohn, Dvorjak (Wed) (22 11 00).

NEW YORK

Debra Parker and Friends: Soprano recital. Villa-Lobos, Schubert, and English folk songs. (Wed. 12.30, free) Juilliard Concerts at the IBM Garden Plaza, 56th & Madison.

WASHINGTON

National Symphony: Mstislav Rostropovich conducting, with Choral Arts Society of Washington directed by Norman Scribner and Oratorio Society of Washington directed by Robert Shafer. Mahler. Kennedy Center Concert Hall (254 3776)

CHICAGO

Chicago Brilliante Chamber Players: V. Reynolds, Beethoven, Schubert (Wed). Orchestra Hall (435 8122)

Chicago Symphony: Kenneth Jean conducting, Juliana Markova piano. Torke, Grieg, Haydn, Respighi (Thur). Orchestra Hall (435 8122).

WEST GERMANY

Berlin: Berlin Philharmonic Orchestra, under Seiji Ozawa, with pianist Alexis Weissenberg plays Brahms and Rachmaninov (Fri, Sat).

Frankfurt: Alter Oper. Franco Cavallo's Il Giasone will be offered in a concert version with La Petite Bande.

Munich: Herkulessaal der Residenz. Andras Schiff piano recital with works by Schubert and Beethoven.

PARIS

Arcosa: Grand Chorale Mixte, Orchestre du Campus d'Orsay: Schubert Salle Pleyel (45638873).

Opera Comique: Percussions, flute, piano concert: Kabelac, Jolivet, Bartok (Wed) Salle Favart (47425750).

Orchestre de Paris and Ensemble Intercontemporain conducted by Pierre Boulez with the Conservatoire Choir: Berio, Schoenberg (Wed, Thur) Salle Pleyel (45638873).

Atlanta's Symphony Orchestra and Choir conducted by Robert Shaw: Stravinsky, Beethoven (Thur) TMP-Chatelet (42334444).

Saleroom/Antony Thorncroft

Topographical records

Sotheby's went off for the long weekend on Friday with a very successful topographical sale beneath its belt. There was a glut of records, not least the £90,200 paid for a scene of marketing in the West Indies in the early 19th century, showing a linen stall and a vegetable seller, by Agostino Brunias. It had been sold by Christie's five years ago for a quarter of its new price. Another success was an early view of Sydney from the north by Samuel Thomas Gill which doubled its top estimate at £82,500.

Tomorrow Sotheby's holds its annual marine sale. A highlight will be a painting of the "Black Prince" by George Alexander Napier. It its day – 1862 – it was hailed as the most powerful warship in the world, and was credited with deterring a possible invasion of the UK by Napoleon III. Its portrait carries a top estimate of £30,000.

There are no fewer than 21 oils and watercolours by Montague Dawson on offer, but such is his popularity that the market will absorb the glut. Prices go up to £30,000 for "The Golden Fleece". A fanciful portrayal of the Battle of Trafalgar by the mid-Victorian artist William Stuart, who lived in obscurity in Stepney, is in the same price range.

There are few bargains found in London street markets. But on Thursday Sotheby's offers hundreds of theatrical costume designs, from the studio of B.J. Simmons of Covent Garden, which were picked up cheaply off market stalls and are now expected to sell for £30,000. They date from the period 1900-1950 and include designs for several of Noel Coward's plays; for the first 1904 performance of *Peter Pan*, for *Ben Hur*, in 1902; and for the film *Goodbye Mr Chips*.

Christie's has a picture of great British interest in its Old Master sale in New York on June 2. It is a view of Old Somerset House by Canaletto, painted just before its demolition in 1766 to make room for the current Somerset House, soon to be the new home of the Courtauld Galleries. It would make a fine addition to that collection but the estimated price of up to $1.8m may be beyond the Courtauld's resources.

On Sunday Sotheby's will hold the first auction ever in modern China. It is basically a symbolic event with the proceeds going to the restoration of two wonders of the world, Venice and the Great Wall. The auction consists of forty works donated by contemporary artists, including Karel Appel, Sol LeWitt, Arman and Cesar. There will also be 13 traditional Chinese paintings by living artists, and design objects presented by the likes of Hermès and Guy Laroche. The auction takes place in the Hall of The Ancestors, alternatively known as the Workers' Culture Palace.

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An EC tax on efficiency

IT MAY be pure coincidence that the European Commission has chosen to announce dumping duties on Japanese computer printer exports worth $1.3bn only days before a visit to Brussels by Mr Noboru Takeshita, Japan's Prime Minister. Yet when coupled with warnings by Mr Willy de Clercq, the commissioner for external affairs, that Japan must display trade reciprocity if it is to enjoy access to the European single market, it looks suspiciously like a deliberate signal. But the European Community has more reason than Mr Takeshita to ask itself what the signal means.

Printers are the latest in a growing list of Japanese exports against which the EC has taken anti-dumping action. To judge by other recent cases, the decision may be followed by a further dumping investigation into Japanese printer production in Europe, conducted under the EC's controversial new regulation on "screwdriver" plants.

Arbitrary judgements

The procedures used to ascertain dumping and assess anti-dumping duties usually involve arbitrary judgements, since costs and prices cannot be established exactly. For example, anti-dumping authorities often impute a quite arbitrary figure for profit, the assumption being that prices should cover long-run average costs at all times. Given the fact that prices vary with the business cycle and the quite legitimate practice of cross-subsidising costs between different product ranges, such calculations are worse than approximate. They imply that there is something reprehensible about the most normal features of competition.

That is not to say that Japanese industry has not sold products on European markets at prices lower than at home. However, the official EC policy of dumping agricultural produce abroad makes a high moral stand on the issue unseemly, at best. Moreover, in view of the decline of the dollar, one wonders how many European exporters are now charging prices in the US below those on their domestic markets.

The ease with which dumping can be found, and the somewhat elastic nature of the procedures, invite suspicion about impartiality. Given the EC's mounting frustration over its persistent trade deficit with Japan, there must be a temptation to resort to these procedures as a form of selective safeguard and to strengthen its hand in bilateral negotiations.

Putting the EC's motives to one side, the economic gains must be questioned. Dumping duties, which in this case range as high as 33 per cent, will raise prices to European consumers. The duties amount to a straight forward tax on products which, as part of computer systems, contribute to higher efficiency and productivity in a wide range of businesses. That is a strange way to improve Europe's competitiveness.

Meanwhile, the European suppliers, which the dumping action is supposed to benefit, today account for only a quarter of the total EC market. Several of them import Japanese printers and sell them under their own names. Though they blame their loss of market share on unfair Japanese price cutting, they are largely responsible for their own predicament.

The recent history of the European computer printer industry is dismally familiar. Its leading suppliers were slow to spot the market created by the development of the personal computer in the late 1970s. By the time they woke up, Japanese competitors had begun to move in decisively, offering low-cost high-volume products. After belated and unsuccessful efforts to fight back, most European companies retreated to the upper end of the market.

Japan's success

The overwhelming reason for Japan's success in this, as in many other markets, is that its manufacturers recognised a growth market early, had the courage to take risks and invested heavily to exploit it worldwide. Indeed, as much was admitted recently on British television by an executive of one of the European companies involved in triggering the latest anti-dumping investigation.

Until European industry is prepared to learn and act on that lesson, anti-dumping procedures amount to a hopeless attempt to remedy faults *ex post* that can only be tackled by greater alertness among European producers *ex ante*. The whole process amounts, at best, to the use of questionable methods in pursuit of doubtful benefits. At worst, it amounts to shooting oneself in the foot.

The surge in house prices

THE RATIO of house prices to incomes in the south east of England has risen steadily since 1983 and now stands only a fraction below the spike reached in the inflationary boom of 1973. Jeremiahs, their appetites whetted by last year's stockmarket crash, are hinting that the bubble must burst soon. Borrowers, they say, are over-extending themselves in the misguided hope that capital appreciation will continue to dwarf debt-servicing costs. A disastrous crunch can be averted only if steps are taken to limit the generous flow of cheap credit to the market.

The concern is understandable, but possibly a trifle exaggerated. The stock of houses is not easily altered in the short run. Quite modest changes in demand can therefore cause extremely rapid price movements. Bursts of house price inflation – or disinflation – are not necessarily signs of impending doom. They do not necessarily imply correspondingly violent gyrations of broader measures of inflation, such as the retail price index. The factors, such as rising incomes and falling interest rates, which push up house prices also inflate demand for other goods. The difference is that in other markets supply can adjust more readily to the increased demand.

Much of the present excess demand for housing reflects innocuous and predictable trends. When the baby-boom generation of the 1950s and 1960s reached maturity, the scramble for desirable houses in prosperous parts of the country was bound to intensify. The pressure has been exacerbated by the well-established trend towards smaller families. People are marrying later, divorcing earlier and living longer. As real disposable incomes rise, families are also understandably demanding a better standard of housing; many are able to afford two homes.

The demographic pressures, of course, have been aided and abetted by financial deregulation. When building societies had a virtual monopoly of the mortgage market, they were able to ration finance. Once monthly lending limits were reached, intending purchasers were simply forced to wait. The onset of vigorous competition has eliminated the queues and transferred power to the home buyers.

Demographic changes were unavoidable. Deregulation was desirable even if it was likely to cause transitional difficulties. But could the Government have countered these changes in demand with supply-side reforms? The short answer is probably not. Even if the present plans for accelerated house construction in the south east had been implemented at the turn of the decade, the resulting incremental increase in the housing stock would probably have done little to dampen the price explosion. A more ambitious building programme than is now contemplated might have had greater impact, but arguably it would have been undesirable on environmental grounds.

The Government could certainly have used fiscal levers to influence the supply/demand imbalance. Mortgage interest relief could have been phased out entirely in the past nine years. Alternatively, the old schedule A tax on the imputed income from home ownership could have been reintroduced. More controversially, capital gains tax could have been extended to principal residences. Various taxes on the value of land have also been advocated and could have been introduced. It is regrettable that the Government has instead resolved to abolish local property taxes, a move that can only increase the relative desirability of housing as an investment.

But it would be foolish to pretend that fiscal changes – either now or in the past – would have had an enormous impact. Direct credit controls are the most powerful weapon at the disposal of the authorities. Their use to break a dangerous speculative bubble would not be a betrayal of market principles. The difficulty is in deciding if or when to act. The authorities must hope that the present inflationary boom will ease of its own accord. This is possible: lenders are becoming more aware of the prudential risks and borrowers may decline yet heavier servicing burdens. But there is certainly no room for complacency.

Christopher Lorenz examines the fundamental reasons for the recent surge of cross-border takeovers in Europe

When the choice is buy or be bought

WHAT Carlo De Benedetti has wrought in France and Belgium is what Nestlé's Helmut Maucher and Suchard's Klaus Jacobs are fuelling in Britain: European takeover panic. With a little help from the European Community's plans for an open internal market from 1992, these business barons are giving sleepless nights to thousands of companies across Europe.

In countries where corporate ownership is pretty well-protected, notably Nestlés and Suchard's home base of Switzerland, plus West Germany, the nagging question is a combination of industrial logic and appropriate timing: "Should we join the acquisition trail now, or risk missing all the best buys?"

In more open markets, where hostile bids are either commonplace (Britain) or have been growing in popularity (France, Spain and Belgium), the question is a more desperate: "Buy or be bought?" Industrial logic and timing are compounded by the quest for self-preservation.

In answering both questions, and assessing whether there are any alternatives to joining the takeover rush which is developing across Europe, it is important to be clear about causes. The proposed deadline for creating the European internal market may be on everyone's lips, but, at least in manufacturing, much broader motives lie at the root of most of the cross-border takeovers which have occurred so far.

De Benedetti's raids in France and Belgium were prompted partly by his conglomerate-building ambitions, which had grown too large for his native Italy, and partly by his realisation that existing barriers could be surmounted, despite conventional wisdom. The coming opening of European frontiers was a spur to his timing rather than a prime cause of his action.

Similarly, the Nestlé-Suchard battle for Rowntree has at least as much to do with the steady progress of old-fashioned industrial economics in an increasingly mature, concentrated and global industry as with the threat of a possible "fortress Community" against the Swiss and other outsiders after 1992. Suchard's April raid on the hapless UK confectionery maker, which stirred Nestlé into action, was merely the latest stage in its long-running construction of a global chocolate enterprise through a string of acquisitions.

Nor was 1992 more than a partial stimulus to what is so far Europe's merger of the decade: last summer's get-together of Sweden's ASEA and Switzerland's Brown Boveri. Here the root causes were extreme over-capacity in the world's electrical engineering industry (the new partners have since done an American deal with Westinghouse), and the "buy or miss out" principle of keeping a potential partner out of the clutches of a feared competitor – which could just as well have been American or Japanese as European.

In other words, for many European manufacturers 1992 is mainly a state of mind which is accelerating their reaction to a much more fundamental trend: the opening of markets around the world to the power of global scale (in research, development and manufacturing), and of geographic scope (in distribution and the ability to cross-subsidise from market-to-market).

"1992 is not about European competitiveness, it is about global competitiveness for European companies," argues Gary Hamel of the London Business School. Purely European strategies to cope with it will be inadequate, he told a packed conference organised by The Economist and the Confederation of British Industry a few weeks ago.

All this poses awkward enough dilemmas for manufacturers which are agonising over whether to buy or lose out. For those unfortunates faced with whether to "buy or be bought", the predicament is downright acute.

Both types of company face a long list of questions. Should they join the rush to acquire companies in other European countries or confine themselves to defensive acquisitions at home? Are cross-border forays feasible, given the barriers to unfriendly takeovers in most continental countries? Does the company have the experience to handle the difficult process of post-acquisition integration? Would "green-field" expansion or joint ventures be a viable alternative? Should it seek partners in its own country, elsewhere in Europe, or from the US and Japan?

In the present state of confusion over 1992, it is all too easy to forget that the right answers to these questions depend heavily on the characteristics of the industry and market segment in question, on the purpose of the proposed deal, and on the nature of each company. But some general watch-words do apply:

● However attractive acquisitions may seem, either as an expansion opportunity or as a defensive refuge, they are remarkably difficult to manage. "If you haven't already developed the capability to acquire *and integrate*, it may be too late," says Philippe Haspeslagh, an acquisitions specialist at Insead, the European business school.

● On the other hand, companies in many sectors of European manufacturing will have to move fast to find suitable bedfellows. "By 1992 all the good-looking girls on the dance-floor will have partners," says Gary Hamel of the London Business School.

● Acquiring local companies to build a "national champion" is either a waste of time, or a mere precursor to international takeovers or alliances. "Two drunks don't make a stable person", says Mr Hamel caustically about the tendency of internationally weak continental and British companies to club together. "Defensiveness at home is not an adequate response," agrees his LBS colleague John Stopford.

● The notion that takeovers are well-nigh impossible to make in many continental countries is belied by the facts. Hostile bids may be out of the question in several countries, but the list of friendly deals (mainly medium-size) is growing rapidly. In March, for instance, Hillsdown Holdings, the fast-growing UK conglomerate, bought no fewer than three Dutch companies. The number of foreign takeovers in West Germany soared by over 50 per cent last year to 262. France overtook Britain in popularity among foreign acquirers, with 156 inward acquisitions.

Large deals may be more difficult to do: the recent £88m purchase of France's Les Echos newspaper by Britain's Pearson (owner of the Financial Times) was delayed by government intervention, for example. But the prized Martell cognac company went to Seagram of Canada for the equivalent of £525m in February with only a minimum of fuss.

The foundation of any company's European strategy, whether aggressive or defensive, should be an international analysis which identifies its "defensible strategic segments", says Martin Waldenstrom, head of the acquisitions practice of Booz, Allen & Hamilton, the management consultancy. Rowntree made a bad mistake, he argues, in assuming there were entry barriers between the chocolate bar business (Nestlé and Suchard's traditional strength) and the "countline" business (Rowntree snack products such as Lion Bar, Kit Kat and the like). "They bet on a defensible barrier that wasn't really there," he says.

In terms of maturity, concentration and entry barriers between segments, Mr Waldenstrom argues that "a whole raft" of manufacturing industries is going through a chocolate-type transition: "It's the death of the domestic market." Insead's Mr Haspeslagh points out that it only needs one company to start playing the game internationally – as Electrolux did in appliances, and America's PPG in automotive paints – for everyone else to have to follow. Potential economies of scale and scope can exist for several years before one player chooses to set the ball rolling.

A fragmented sector may provide no protection against this – rather the reverse. The European food industry was composed of a myriad of medium-sized companies until BSN's Antoine Riboud got to work in the 1970s; De Benedetti then initiated a second phase in the 1980s. In chocolate it was Suchard's European expansion beginning in 1982 under the aggressive Klaus Jacobs which sparked the current phase of industry concentration.

Therefore, for a few European companies in sectors ripe for concentration, a possible form of defence may be to attack: to pre-empt competitors by starting an acquisitions drive. But this is a dangerous game which requires deep pockets and great management expertise. It is certainly not an option for takeover novices.

In fragmented industries which lack major distribution barriers, acquisitions may be all but unnecessary – for the moment, at least. Amstrad, the thrusting British hi-fi and personal computer company, has built strong market positions in France and Spain in the past couple of years by a "green-field" approach of expansion through direct exports and local distributors. In more mature product areas, companies trying to follow the export route may have to redesign their products and retool their factories, says Professor John Stopford of the London Business School.

In between these extremes of fragmentation and global concentration lie a vast number of manufacturing companies whose European expansion options are extremely limited. In various branches of electrical engineering and electronic systems Britain's General Electric Company has found it impossible to acquire a continental company of any size: its main attempt, to buy a minority stake in West Germany's AEG, foundered on opposition from other German companies and the trade unions. In 1985 AEG was sold to Daimler-Benz instead.

With the exception of small deals such as last year's £8m purchase of a Dutch weighing machine company, which provided continental distribution for its Avery subsidiary, GEC has been thrown back on what it sees as very much a second-best solution: joint ventures. Earlier this year it tried to reinforce the international competitiveness of its US medical subsidiary, Picker, through an alliance with Philips of the Netherlands. But, like many of the other joint ventures which both GEC and Philips have tried to negotiate with various partners recently, it fell through because of valuation differences and incompatible management attitudes.

For companies in many other industries with high barriers against foreign acquisition, "joint ventures may be the only way forward in Europe today," says one top executive from a large multinational. But whether one should look only for European partners is a moot point. To Mr Hamel of LBS, this makes only limited sense. He also advocates deals with American and Japanese companies.

As Mr Hamel and his fellow researchers themselves warn, alliances promise many attractions, but they are fraught with practical problems. Apart from the difficulties of negotiating them in the first place, they are notoriously hard to manage.

In spite of their flaws, joint ventures can do more than serving industrial logic. They can also provide some deterrence to predators, especially when the terms give each side the option to buy out the other if either parent is raided. One criticism of Rowntree in its current predicament is that it should have looked more closely at Nestlé's proposal last year to establish several joint ventures and accept a 25 per cent shareholding by the Swiss company, an arrangement which might have protected it against other predators. Whatever Rowntree's suspicions might have been about Nestlé's long-term motives, the Swiss company is adamant that it had no intention of making a full bid until Suchard made its successful raid in April.

Several companies around the world have taken similar action, says Insead's Mr Haspeslagh. They range from several Wall Street firms which have accepted Japanese stakes, to Club Méditerranée, the French holiday village group, which has allowed Japan's Seibu department store chain to take a holding in connection with a local joint venture. "A long-term stake from an industrial investor tends to put you less at risk than one from a financial institution," he claims.

This may seem an unpalatable choice when, as in the case of Rowntree, it amounts to accepting the loose embrace of one predator in order to escape the bear-hug of another. But for some of the companies which are having nightmares about global competition, 1992, and associated threats, it may be the only way out.

OBSERVER

Proust and Powell

■ Another Bank Holiday weekend in London in May that defied its early promise and turned to rain seemed an appropriate time to finish Proust. The exercise had begun some two or three years before and had continued, on and off, in different places. It never seemed possible, nor even desirable, to read more than a couple of volumes at a stretch because it was always necessary to have a pause for reflection.

Yet, from the start of reading, Proust never went away. It was a world that once you had entered, you knew you would return to. And apart from when you would finish it, there were only two questions. One was: how would it end? The other was: how does Proust's Remembrance of Things Past compare with Anthony Powell's The Music of Time, for which Proust was plainly the model?

The first question turned out to be a silly one. Proust does not so much end as fade away, with the author explaining how he had come to write what had gone before, though not without one glorious set-piece that brings most of the surviving principal characters together again.

Social chronicle

■ The second question is perhaps more of an academic game, or the kind that might be set for university entrance: Powell and Proust – contrast and compare. As to the question of which is the better work, there can be no straight answer. What is certain, however, is that without Proust as base there could have been no Music of Time, no chronicle of English social life for much of this century as many of us have known it.

It may be that Proust was a less accurate chronicler of his time – the years before and after 1900 – than Powell, though one doubts it. And on accuracy the comparison does not greatly matter. For what you have in both is a picture of society that, once absorbed, makes it impossible to look at society in quite the same way again. You begin to look at it through the eyes of Proust or Powell. "So-and-so," you might say, "has a touch of Odette about her," and the meaning could be clear.

Widmerpool today

■ Widmerpool is the supreme example: the great tragi-comic figure of twentieth century English literature. Everybody knows him: the boy who seems slightly odd, somewhat out of it, socially misplaced at school, then goes on to overshadow his contemporaries who can never forget their original image of the gaucheness of his schooldays, something to do with having had the wrong belt on his overcoat and worn squeaky boots.

Powell's Widmerpool, in fact, goes on to become a Labour MP and junior minister after the war, is created a life peer under the Tories in 1958, becomes something of a TV personality in the 1960s and is made Chancellor of a newish university in 1968 – the year of the student troubles. For someone so apparently unattractive, he has also had some surprising, if unsatisfactory, sexual liaisons.

Numerous attempts have been made to identify the Widmerpool model. The late Lord Dilhorne, formerly Sir Reginald Manningham-Buller and a figure of note under the premiership of Harold Macmillan, has been suggested, but the politics don't fit. And in any case almost all the figures in Proust and Powell are composites. Still, everyone has their own Widmerpool and there are figures in the present cabinet who fit the bill for a later generation.

An interesting test in reading the Music of Time, incidentally, is how quickly you recognise Widmerpool as the central character. For a start, it looks as though it may be Charles Stringham. Then Stringham dies, only to haunt the rest of the work.

"We're dissident Jehovah's Witnesses, Comrade President."

Change of sex

■ The composite who does not come off in Proust is Albertine, the author's mistress who lives with him, leaves him and is killed in a riding accident. Proust ponders and investigates her alleged – and proven – lesbianism to the point of becoming obsessional. But perhaps it was my fault for thinking she was not worth the tears. It was only when I looked it up that I discovered that Albertine was not an ordinary composite: she was a substitute for Alfred Agostinelli, Proust's chauffeur and secretary with whom he had the affair. Agostinelli was killed in an air-crash in 1914. All that puts a different perspective on the book.

Yet even on the lesbianism Powell cannot resist paying brief homage to Proust. In The Music of Time the narrator, Nick Jenkins, more self-effacing than Proust, has a brief and moving affair with Jean Templer, but not without first wondering whether she has had a lesbian entanglement with the society lady, Baby Wentworth. The account of the Jenkins-Templer affair is one of the most memorable of two people together ever recorded.

La Pasionaria

■ Some of the characters seem to overlap. Rachel, the tart in Proust who becomes a successful actress, almost foreshadows Gyspy Jones, the near-tart in Powell, once known as *La Pasionaria* of Hendon Central, who becomes Lady Craggs, wife of the successful left-wing publisher whom even the mild Jenkins describes as having the "most loathsomely oily voice in the whole of Bloomsbury."

And even Stringham, the sad hero in Powell, seems to be drawn somewhat from Proust's friend Robert Saint-Loup who is also killed in war yet continues to stride the book. Only the homosexuality in Proust is stronger.

Where one wonders about both writers is whether it *is* really true that some of the central characters became more depraved with time. The homosexual scenes in Remembrance of Things Past, especially those involving Charlus, could scarcely have been imagined at the beginning. And almost all the characters in The Music of Time seem to become wilder as the end of sequence nears. Widmerpool dies not as the Chancellor of a university, but as some kind of mad prophet.

Gossip-writers

■ Because I read Powell mostly as the volumes appeared, I used to think that perhaps he did not understand the present as well as he understood the past. Then I wondered if he had only seemed to understand the past because some of his readers had not been around at the time. Looking back from the 1980s, however, it seems that Powell understood it all. I like to think that the same goes for Proust. They were the best gossip-writers of their times.

هكذا من الأصل

No news can also be bad news

Jurek Martin looks at the worldwide discouragement of press freedom

FOREIGN AFFAIRS

WHEN UNESCO'S New World Information Order withered and died a few years ago, few tears were shed. They should be flowing again now, however, for the cause of press freedom is under renewed assault, not from one source but from many.

It is hard to draw a line between countries as diverse as South Africa, Singapore, Nicaragua, Israel, Jordan, Kenya, the Soviet Union and even Britain, which comprise a non-exclusive list of nations in which press freedoms have been infringed recently (a comprehensive survey, Information, Freedom and Censorship, just published by Longman, lists the rest). There cannot be any unholy conspiracy between them. But the common thread remains not just the age-old determination on the part of officialdom to control and influence what appears in the respective domestic media but also what the international press discloses. It is in this second area that new concerns apply.

The two are obviously connected. A prime source for every foreign correspondent is the local media; this applies as much in Washington, where small foreign bureaux cannot compete with the reporting strength of the Washington Post, the New York Times and so on, as it does in Moscow today, where news is made through the columns of Pravda and other Soviet publications.

The good foreign correspondent should not merely sift and report what is in the indigenous media. It is much more important to be able to read between its lines. If, however, the domestic source is muzzled, then the work of the foreign correspondent becomes that much more difficult, though certainly not impossible.

Two recent examples demonstrate this. In South Africa, a principal purpose of the censorship in effect over the last two years has been quite simply to remove the reporting of unrest in the townships from foreign television screens. This has been achieved by circumscribing a prime source, the black and white domestic media, and by censoring the foreign press, both formally and more subtly, by encouraging what amounts to self-censorship.

In the short term, this approach has had some success. At a conference on press freedom in South Africa held in London earlier this year, US television executives conceded that they were covering South Africa less fully than in the past and believed that the decline in public protest in the US against the South African regime could be ascribed to that fact.

Similarly Israel, whose domestic press has always been conspicuously free and vigorous, was also much exercised by reporting, in the US in particular, of unrest in the Occupied Territories. Its response has mirrored that of South Africa and has included closure of dissident publications and suspending the credentials of two American reporters. It has been less successful in putting a lid on coverage, in good measure because the Israeli press fought hard against control. Across the river, Jordan, hitherto relatively relaxed towards domestic and foreign reporting, has also cracked down on both.

South Africa and Israel are not alone in the belief that controlling what appears on foreign television, and, to a lesser extent, in the press, helps determine policy. In so doing they subscribe to the view, long fashionable in right-wing circles, that the American media "lost" the Vietnam war because television coverage in the US showed that American forces were not winning it. This is surely a gross simplification. The war was lost not in the newsrooms and salons of Washington but in the paddy fields and jungles of Vietnam. But it is easy to be wise after the event.

There are, of course, other ways of influencing or controlling the media. The pattern of reporting from war zones or from difficult-to-reach areas is very much dictated by access, control over which varies. Depending on the state of the war, both Iran and Iraq routinely invite the foreign media to view evidence of their latest triumphs or of atrocities committed by the other side. So did the Sandinistas and Contras in Nicaragua.

The relatively high reputation enjoyed by Mr Jonas Savimbi of Unita in the US owes a lot to some skilfully handled press trips, a fact which, belatedly, the Angolan regime has recognised. So, in its conflict with Renamo, has the regime in Mozambique. The best information coming out of Ethiopia is provided not by the government in Addis Ababa, but courtesy of the Eritrean Liberation Front.

The technique is in essence no different from furnishing motoring journalists with free cars and travel writers with free trips. The task for the responsible media is to strike the right balance between the need to inform objectively and a hunger for information whatever the source. This balance can be fairly struck, though it is hard to make the case that it is in every instance.

Certainly the Government of Singapore is one which remains sceptical on this score, to the point that it really does appear to be breaking new ground in its running confrontation with the foreign press. It has amended its Newspapers and Printing Presses Act of 1974 to empower the relevant government minister to take action if he finds that a foreign publication is "engaging in the domestic politics of Singapore." Further, the Singapore Government has argued, and its courts have so far agreed, that the minister has great powers of discretion over what constitutes interference.

Mr Lee Kuan Yew, the Prime Minister, doubtless has his own good reasons for taking the position he has. His attitude, though, is indelibly reminiscent of Ronald Reagan's famous slogan when he was fighting against the ratification of the Panama Canal treaties a decade ago: "We built it, we paid for it, it's ours." In other words, the message to the foreign press is that if you want to work in my territory you play by my rules.

To an extent, there is nothing new in this. Countries have thrown out foreign correspondents for lots of reasons, including espionage and other breaches of domestic laws, and it is impossible to maintain that in each and every case the journalist was without sin. What does appear to be different is that Singapore, along with, perhaps, neighbouring Malaysia, is effectively legalising its proscriptive policies and applying them to the foreign media.

In Britain, formal and informal restrictions – the Official Secrets Act, the law of libel, soon Sir William Rees-Mogg – do weigh mightily on the domestic media but not so much on foreign reporters resident here. Even the heavy hand of South African officialdom gives the foreign correspondent a degree of licence to determine whether or not a particular story does in fact break the censorship code.

This probably does deter some coverage, in places like South Africa, but in practice, if not in principle, it is better to have half a loaf than none at all. Whatever the fine distinctions, in their respective ways South Africa, Singapore and too many other nations of contrasting political stripes seem to have concluded that it is better to have no coverage than that which is critical or unfavourable. That, in sum, is what the Unesco bureaucrats were after, no matter how the notion was dressed up. The Western press is not perfect by a long chalk, but it has to fight for its rights to do the best it can.

British shoemakers feel the pinch

THE RISING pound is to blame. The British shoe industry, which like so many other areas of manufacturing has spent recent years recovering from the slump of the early 1980s, is now threatened by another round of recession.

Since autumn last year, as sterling has strengthened, Britain's footwear imports have soared. As a result British shoe manufacturers have lost share in their home market and have been forced to resort to cost cutting measures like short-time working and redundancies.

So far the industry has been sheltered from the full impact of an uncompetitive currency, chiefly because of the length of time it takes for its retail customers to react to changes in exchange rates. But as the shoemakers begin production for the autumn season, they are now fully exposed to the adverse economic climate.

Imports first surfaced as a problem for Britain's shoe producers in the 1950s. The influx of shoes from abroad – initially from Italy and Spain, latterly from the Far East and South America – accelerated through the 1980s and 1970s.

In the early 1980s the industry reached a nadir when the import problem was compounded by a decline in consumer spending and the demise of export markets. Factories closed and thousands of footwear workers in the industry's traditional heartlands of Lancashire and the East Midlands lost their jobs.

The companies that survived were polarised between the two giants – C & J Clark and the British Shoe Corporation, part of Sears, which together account for nearly a third of UK production – and the tiny family firms which dominate a fragmented industry. Only one fifth of the UK's 750 footwear producers employ more than 50 people.

In 1985 the industry's fortunes began to revive. One favourable factor was fashion, which swung back towards the traditional British styles of courts for women and brogues for men. Another was the strengthening of the shoe retailing sector through the growth in the market share of the traditional retail giants – again, BSC and Clark – and the emergence of new forces such as Marks and Spencer, Storehouse and Next.

The manufacturers also benefited from advances in technology. The introduction of automated assembly lines and computerised sewing machines helped British companies to cut costs and to recover lost sales. The level of import penetration peaked at 61 per cent in 1984, then fell for two successive years to 58 per cent in 1986.

By the beginning of 1987 – with rising output and robust exports – it looked as if Britain's footwear firms were poised for resurgence. Clark was sufficiently confident to lay plans to build its first new factory since the 1960s at a cost of £9m.

But in the autumn the tide turned against the industry. The decline of the dollar – and of the Far Eastern currencies linked to it – fuelled a fresh influx of imports from countries like South Korea and Taiwan. The problem of currency was compounded by fears of protectionism in the US which encouraged Far Eastern producers to divert footwear, originally bound for North America, to the more open markets of Europe.

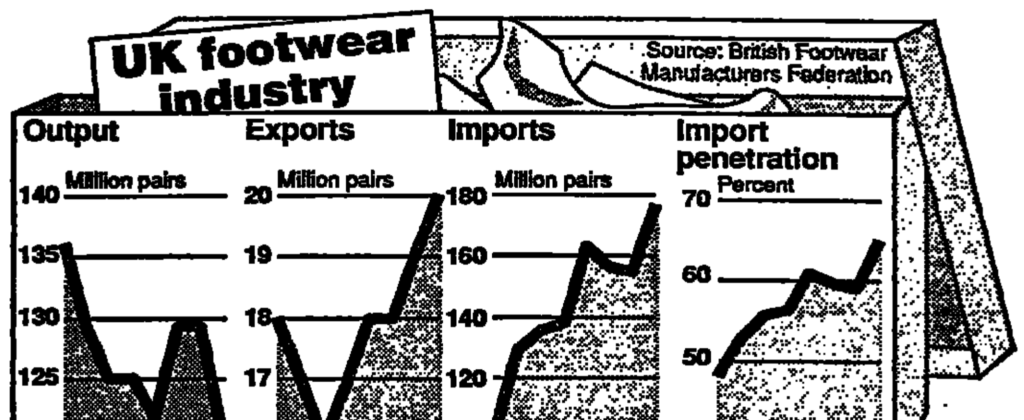
This surge of overseas footwear dealt the British industry – which, unlike the clothing industry, is not protected by quotas – a devastating blow. Import penetration soared to 64 per cent and output slumped to 120.5m pairs of shoes in 1987, the lowest level since 1945.

The only possible response for the industry has been to cut costs. The most vulnerable companies have been the small, family businesses which make the cheap women's shoes that are most exposed to imports.

The larger groups have suffered too. Two of Clark's women's Court shoe factories – with 1,000 employees – have been on short time working since the start of the year. Clark has also introduced "Project Thrift", a programme designed to eradicate unnecessary expenditure throughout the group.

Some companies – chiefly the Marks and Spencer suppliers, which can rely on its "Buy British" policy – have succeeded in sustaining output but they too have seen profitability suffer.

The FII Group, one of the larger producers, has evaded short time working but has been unable to increase prices during a year in which labour costs – and overall inflation – have risen by 4 per cent and raw material prices have soared. The trend towards more complex, and increasingly labour intensive, styles of shoes has also imposed pressure on margins.



Up to now, apart from the length of retail lead times, the industry has been partially shielded by the weakness of the once-powerful Italian shoe industry and the buoyancy of British exports, of men's shoes in particular.

However, these protective factors are now being eroded. The Italian industry, which suffered sorely last year because of the strength of the lira, is now benefiting from a more competitive currency. Meanwhile the strength of sterling threatens exports.

Church, one of the most successful exporters, has seen sales fall in the US but has been able to compensate so far by increasing sales to Europe. K Shoes, a subsidiary of Clark, is now concerned about the prospects for the export drive it began two years ago.

Meanwhile imports are increasing inexorably. In the opening months of 1988 import penetration rose to over 70 per cent. The British Footwear Manufacturers Federation has persuaded the Government to lobby the European Commission for the introduction of quotas on imports from Taiwan. At a European Community level, pressure is also mounting for quotas to be introduced throughout the EC.

Yet these lobbies could take months to come to fruition. The only real hope for the industry is to improve its competitive position. The key to this is new technology.

New technology not only enables manufacturers to improve productivity, but to move upmarket by making more complex footwear which would not be cost-effective if made by hand. It helps the domestic manufacturers to steal a march on their overseas competitors by responding more swiftly to retailers' demands.

As the power of the retail multiples grows and computer systems become more sophisticated, competitive pressures will accentuate the need for shoe retailers to deal with efficient, flexible suppliers. In theory this should benefit the bigger British companies with the necessary capital to invest in new technology.

Many of the larger footwear companies have already invested heavily and can cite impressive improvements in productivity. Lambert Howarth has halved the labour input to the "lasting", or assembly of the shoe, where automation is most advanced. The FII Group's factory in South Wales has boosted productivity by 40 per cent in five years.

Yet the British shoe industry still lags behind its European competitors. The level of output per employee rose by 15 per cent in Britain between 1980 and 1986, according to SATRA, the footwear technology centre, compared with 18 per cent for France and 23 per cent in Italy.

Moreover there is a very real risk that, in its present depressed state, the industry will cut back on investment. So far there is no sign of immediate cuts. Clark is forging ahead with its new factory and FII is re-equipping its Lotus plants.

Yet most manufacturers are aware that the economic climate – strengthening sterling and increasing imports – is casting a cloud over investment. And all are painfully aware that without investment there is no future for the British shoe industry.

Alice Rawsthorn

Letters to the Editor

Japan's relationship with Europe

From Mr Gunkatsu Kano.

Sir, I read with great interest the views expressed by Jurek Martin ("Form is no substitute for substance," May 24). Mr Martin, as an expert on Japan of the first order, has for long been held in high regard in Japan. However, as there are parts in his article with which it is difficult for us to agree, I would like to represent Japanese Embassy views on the significance of Prime Minister Takeshita's recent visit to this country.

The objectives of Prime Minister Takeshita's recent visit to Europe, including the UK, were based on the need to strengthen substantially Japanese-European co-operation, opening up a new era in Japanese-European relations, and exploring ways in which Japan might contribute to the world. We are convinced that as a result of the substantial talks Mr Takeshita had with Prime Minister Thatcher and other European leaders, there emerged a definite response towards the fulfilment of this aim.

At the Japan-Britain summit talks, the two Prime Ministers had full discussions on East-West relations (in particular the USSR under Mr Gorbachev), the situation in the Middle East, and in the Persian Gulf; various problems in Asia, and the Toronto Summit. Further, they had a frank exchange of views regarding bilateral relations, such as the reform of Japan's liquor laws, the issue of membership of the Tokyo stock exchange, and Anglo-Japanese industrial co-operation.

It was of great significance to both Japan and Britain that the two leaders deepened their respective understanding of each other's position, and that a relationship of personal trust grew up between them. It is of great significance for the West as a whole that the two leaders will tackle Anglo-Japanese relations and various international issues with their personal relationship as a foundation. It is our understanding that the British side also greatly valued the talks.

Furthermore, Prime Minister Takeshita, in his Mansion House speech in London, explained the concept of international co-operation he wishes Japan to promote, and announced his determination that Japan should contribute more positively to the world in the three areas of co-operation towards peace, international cultural exchange and overseas development assistance (ODA). His speech was not primarily intended to announce specifically UK-related programmes, but rather as a message to the whole of Europe. Mr Takeshita called for the development of balanced Japanese-European relations, both economically and politically, by strengthening present ties which, pertaining to regions which shared the values of freedom, "have perhaps not been close enough."

The speech outlined what kind of basic concept of international co-operation Japan should have in order to contribute even more positively to the world. Furthermore, on the understanding that cultural exchange is of fundamental significance, Mr Takeshita announced as concrete proposals Japanese-European cultural exchange programmes which would serve to add further depth and breadth to Japanese-European relations and promote balanced mutual understanding.

Japan is tackling swiftly, energetically and in concrete terms this concept of international co-operation. Prime Minister Takeshita set up his own high-level consultative committee immediately after his return to Japan, as a step towards the implementation of his concept. He intends soon to adopt concrete policies with regard to the other two pillars of his concept.

As regards the expansion and strengthening of Japan's ODA, this is a policy that the Japanese government has adopted in the past, as can be seen in the three mid-term targets. The Takeshita cabinet has announced its intention of carrying out an even greater expansion of its ODA, and improving it both qualitatively and quantitatively.

The Japanese Government has decided to develop further Anglo-Japanese and Japanese-European relations in all fields, not only economic but also political and cultural. We are confident that Prime Minister Takeshita's recent visit to the UK conveyed with clarity his intention to strengthen Japanese-European relations.

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'The only real test is to make the new medicine available'

From Mr E.W. Stanford.

Sir, Peter Marsh's article (May 24) is a useful contribution to the debate about innovation in medicines, but he fails to emphasise a number of significant points.

New medicines based on new chemical entities will have undergone extensive safety testing in animals and humans before being licensed for marketing. There is, however, a limit to the extent to which tests can accurately predict the results of using a new medicine in clinical practice, even after clinical trials programmes involving several thousand patients, and extending over three to five years. The only real test is to make the new medicine available.

To seek to limit the promotion of the new medicine, as Professor Inman has suggested, has two effects. First, any adverse effects are slower to appear and more difficult to identify if clinical use builds slowly. Second, since patent protection for new medicines is already seriously eroded to only eight years or so in many cases, to limit promotion would mean that innovators would have even less time to benefit from their inventions.

This issue is the most serious facing the pharmaceutical industry; restoration of patent term to 20 years would give the industry much more room for manoeuvre on some of the points raised by Mr Marsh's article.

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Financial inducement may be more effective than repeated exhortations

From Mr Alan Bartlett.

Sir, Tax relief for individuals paying for their own training, or the voucher alternative proposed in your second leader of May 20, might make a marginal contribution, at best, towards raising the level of training activities in the UK. At worst it could be a distraction from a fundamental problem, the tackling of which has not been conspicuously successful.

Government-backed training initiatives are numerous and fragmented, inevitably leading to some waste of resources. They mostly deal – in a highly prescriptive manner – with the unemployed (thankfully a diminishing minority). They are almost all concerned with the supply side of training. They have produced creditable results, but have not been able to do much about what really matters: the stimulation of a massive demand by employers for the training and retraining of their existing employees.

Most attempts to increase demand have been by exhortation, usually quoting international and other comparisons. This exhortation is typically directed by Government, officials of national organisations and various well-meaning large employers, mostly based in London, at smaller employers elsewhere.

The reasons for exhortation are good ones, but its repeated use has not succeeded in transforming a deep-rooted apathy or, in some cases, antipathy on the part of many employers and individuals alike, towards education and training.

If the claim that attitudes are modified by changes in behaviour and rarely by direct appeals is correct, then the fundamental problem is how to induce the required changes in behaviour. This is much more difficult than devising new initiatives or forms of exhortation, as I readily admit.

None the less, one inescapable factor is that financial inducements can often change behaviour, suggesting that a great deal more consideration needs to be given to tax or other financial incentives for appropriate employers. For example, you rightly pointed out that investment in training a worker is inhibited by the ability of that asset, so enhanced, to walk out of the door.

Perhaps some scheme of compensation for the lost residual value of that investment could be introduced? That is just one possibility. Some of the necessary money might come from rationalising existing initiatives. However, to demur because of likely Treasury objections to anything involving tax concessions would be prematurely defeatist.

You wrote of understandable objections to special reliefs for "worthy" activities. If we could only devise a scheme that really stimulated demand, then it would be far, far more than a "worthy" activity.

The Treasury may control the nation's purse-strings, but if we do not find ways and means soon of lifting training activities to an internationally competitive level, then some time after 1992 it may find that the purse is rapidly emptied.

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FINANCIAL TIMES

Tuesday May 31 1988

Janet Bush on Wall Street

Keeping faith with the universe

BRANDYWINE is a name seen on hoardings, restaurant fronts and shop signs all over the small city of Wilmington, Delaware. In 1802, the du Pont family set up a small gunpowder mill on the Brandywine creek and so founded the Du Pont chemicals empire. The creek was also the site of one of the fiercest battles fought against the British (lost but still a proud part of Delaware's history).

One of the newest enterprises to take the name Brandywine, and so acknowledge this tradition of independence and enterprise, is Brandywine Asset Management, a small money management company formed to pursue a single, compelling idea: investing in stocks with low price/earnings ratios.

Brandywine is the brainchild of Mr Tony Hitschler, who developed an understanding of low p/e investing as president of Provident Capital Management in Philadelphia. He brought with him three former colleagues from Provident, Mr Carl Lindberg, a friend and former head of mergers and acquisitions at Penn Mutual Life Insurance of Philadelphia, and Mr Frank Frey, a bank marketing consultant.

It has been proved over the past 50 years or so that a single-minded investment in low p/e stocks has "more frequently than not" outperformed the major market indices.

In the seven quarters since Brandywine was formed in 1986, its discretionary accounts rose by 21.3 per cent compared with a 9.2 per cent rise in the Standard & Poors 500. In the first quarter of this year, Brandywine has achieved 13.8 per cent growth compared to 5.7 per cent in the S&P 500.

On Black Monday last October, the Dow Jones Industrial Average fell by 22 per cent while Brandywine's low p/e portfolios fell by 12 per cent. That single day's performance, coupled with a record of steady investment success over the long-term, has won Brandywine some fans since last year's stock market debacle.

The company already has $350m under management and is marketing two new funds which combine low p/e and the popular art of portfolio indexing. Both funds will be made up of low p/e stocks but one will comprise stocks with large capitalisations and the other companies with small capitalisations.

Mr Henry Otto, formerly an economist at the Chicago Board of Trade, has been brought in to mastermind the indexing of the two new funds.

So what causes the low p/e phenomenon? It is a question of human nature, says Mr Ben Capaldi, formerly of Provident Capital Management. "People don't have enough conviction to concentrate on things which are out of favour and take the time to wait for them to mature." Stocks go through cycles like everything else and, eventually, overpriced stocks with high p/e ratios will fall back to an economic mean or average p/e while low p/e stocks will rise to the same mean.

The two new funds being developed concentrate entirely on the lowest 25 per cent of the market in p/e terms, Brandywine's stocks "universe." The make-up of that universe will be determined with strict discipline. If a stock's p/e rises beyond a certain point, it will be sold, whatever the prospect for further price gains. "We have learned not to argue with what our universe is telling us," says Mr Capaldi.

Last September, the computer models suggested a 42 per cent weighting in utilities. Because of the difficulty of convincing clients to accept such a high weighting, Brandywine's portfolios had 26 per cent in utilities going into the crash. As it turned out, these stocks did much better than other sectors and a 42 per cent weighting would have yielded startling results.

Dependent as it seems to be on natural economic and investment cycles, low p/e investing is not about making a quick buck. It can draw on reserves of patience until a neglected, risky looking stock comes into its own.

Mr Carl Lindberg says: "You never know how long it is going to take." He, however, cites the example of oil companies in the early winter of 1986. "A lot of oil companies showed up in our universe. You couldn't give oil away and yet our universe was telling us that oil stocks was where an investor wanted to be." Shortly afterwards, oil prices started to recover and with them oil company share prices.

The universe is now throwing up a lot of cyclical stocks which would be particularly vulnerable to a recession. Given what Mr Capaldi says is the most uncertain time for the economy that he can remember, this buy signal makes him nervous. But Brandywine is keeping faith with its universe: it has been right before and probably will be again.

Ian Rodger in Tokyo reports on the Japanese Premier's first parliamentary session

Takeshita must pass tests abroad

Takeshita: using all his consensus-forming skills

MR NOBORU TAKESHITA'S first parliamentary session as Prime Minister is being widely celebrated among Japanese politicians and political analysts as a great success.

To Western observers this may seem something of a mystery since nothing much appears to have been accomplished in the seven months since Mr Takeshita took over from the forceful Mr Yasuhiro Nakasone. Problems of tax inequalities, sky-high land prices, beef and orange trade with the US and liquor trade with the UK – all were still as unresolved at the end of the Diet (Parliament) session last week as they were at the beginning.

The only concrete achievements have been deals with the US to liberalise the Japanese markets for tomato ketchup and a few other food products and another to pry open a bit of the juicy Japanese construction market for foreign contractors.

Also, Mr Takeshita's foreign ventures – to Manila, Washington, Toronto and Western Europe – have gone largely unnoticed outside Japan, in sharp contrast to those of Mr Nakasone. Why, then, are Japanese assessments of Mr Takeshita so generous?

The answer is that Japanese politicians do not look on their leaders to launch initiatives, achieve results or solve problems, especially controversial ones. They are much happier when ministers leave things as they are, and get on with the more important business of procuring patronage for political supporters. In another era, that would have been the end of the story.

Mr Takeshita would have occupied centre stage briefly as Japan's Prime Minister, achieving nothing memorable, but pleasing all his supporters and offending none of his adversaries.

Now, however, he will not be allowed to get away with it. Circumstances have conspired to create a situation in which he will become one of Japan's truly great Prime Ministers or disappear as a total failure. And, surprisingly enough, the evaluation, when it is made, is likely to be shared by both Japanese and foreigner alike.

The key issue in Japan today – as it has been for most of the 1980s – is opening up the country and making it operate more as a part of the world rather than in isolation from it. In Mr Nakasone's years, the focus was on encouraging manufacturers to become more international in their outlook and promoting imports at the retail level.

In both cases, Mr Nakasone was pushing against already open doors. Manufacturers knew they could not keep on exporting. They had to set up factories abroad and they had to import components, so they put up little resistance to the Prime Minister's prodding.

Some welcomed the Government's lead to help them convince recalcitrant staffs. For their part, retailers and consumers were not altogether unhappy with the pressure to pay more attention to lower-priced imported goods.

The focuses of internationalisation today are much more troublesome. The opening of the Japanese agricultural, liquor and construction markets raise big political problems, both external and internal.

On the one hand, the US and European governments have run out of patience with Japanese stalling on these issues, and have already sought redress in some instances through the General Agreement on Tariffs and Trade (Gatt). Japan, as a principal beneficiary of the Gatt free trading system, is ill-placed to ignore Gatt rulings.

However, the ruling Liberal Democratic Party also has to face its principal supporters. Farmers form one of the pillars of LDP support, spirit and sake makers another, and construction contractors a third. These groups count among the most privileged in Japan's generally egalitarian society, and they are not eager to give up their protected positions.

According to one recent report, 170 of the 446 LDP Diet members depend on the so-called "mikan vote", voters who are associated with the production of Japanese oranges. Suntory, the whisky giant, is already grumbling about a sharp decline in profits it fears over the next two years because of the expected removal of high taxes on imported whisky.

Mr Takeshita has been using all his vaunted consensus-forming skills to try to square the demands of the foreigners with those of his constituents. So far, the results are mixed – the construction market has been opened a bit, and the markets of eight of 10 farm products are being liberalised in line with the demands of a Gatt disputes panel report last autumn. The more difficult ones – beef, oranges and whisky – will have to be settled within weeks or Japan will find itself once again in the Gatt dock. Mr Takeshita is gamely promising results.

As if that were not enough, the Prime Minister has taken up the poisoned chalice of tax reform. The Government has been trying to reform the tax system for nearly a decade.

Japan's tax system is heavily dependent on direct taxes on personal and corporate income, and the Government wants to introduce an indirect tax, along the lines of a value added tax (VAT), to provide a broader-based system.

Here again, the drive for change has run smack into the LDP backbone. Farmers and the self-employed now avoid tax on a large scale. The introduction of VAT would expose their true incomes and bring them into the tax net.

Ordinary consumers are also suspicious that it would cause the already extremely high retail prices of most products in Japan to go even higher. Economists worry that that, in turn, would drive down consumption. Mr Nakasone tried last year to push through a VAT scheme but was rebuffed and humiliated in the Diet and had to withdraw it.

Mr Takeshita has been much more cagey, building the general case for reform with the public while delaying the publication of a specific plan so that opponents have nothing to shoot at. His stated aim now is to introduce a blueprint next month, then convene a special session of the Diet in July that would deal with it at a leisurely pace over three months or so until it was accepted.

Most political observers believe that he has a good chance of succeeding, even though the measure remains fundamentally unpopular. Some LDP Diet men estimate that the party would lose up to 40 of its 301 seats in the lower house of the Diet in the next election if the tax reform goes through.

However, such are the efforts and prestige that the LDP leadership has invested in it that the Takeshita cabinet would collapse if it failed, and so the LDP would probably lose 20 or more seats in the next election anyway. On the other hand, if Takeshita succeeds in all his difficult operations in the next few months, he will have made quite a mark. Frictions with foreign countries would subside for the first time in memory, and Japan could get on with building its image as a responsible world leader.

At home, the potential payoff is even bigger. The LDP leadership knows that the party's future lies no longer with farmers and small tradesmen, whose numbers are declining rapidly, but with Japan's rapidly growing middle class "salarymen" in the cities. And they know that it is the salaryman, who now bears an appallingly high tax burden, who will be the main beneficiary of the planned tax reform.

Thus, even it they lose a few seats in the next election, they feel they will be able to win a lot of new support in subsequent years when the consequences of tax reform become clear.

US warns markets against $ speculation

BY LIONEL BARBER IN WASHINGTON

A SENIOR US Treasury official warned financial markets at the weekend not to speculate against the dollar in the run-up to the Toronto economic summit next month.

Raising the threat of co-ordinated central bank intervention, Mr David Mulford said the leading industrialised nations were committed to stable exchange rates and would continue to buy and sell the dollar to keep it within relatively narrow ranges.

"Let me assure you that close exchange market co-operation will continue," Mr Mulford told a conference of 1,300 foreign exchange dealers in Honolulu, Hawaii, at the weekend.

Co-ordinated central bank intervention in the financial markets has helped to stabilise the dollar against major currencies in the past five months.

In his speech, Mr Mulford, a key deputy to Mr James Baker, US Treasury Secretary, suggested that closer co-operation between the Group of Seven (G7) industrialised countries had had proved highly effective in reducing external imbalances and sustaining growth.

Mr Mulford said this process – dubbed economic policy co-ordination – would continue in Toronto. "All are committed to take the measures necessary to achieve sustainable (trade) positions. I have no doubt that additional actions will be forthcoming," he said.

One example was the introduction of a commodity price indicator as an additional analytical tool in the process, Mr Mulford said. He hoped the indicator could be in operation by the Toronto summit.

While refusing to spell out precisely how central bank intervention worked, Mr Mulford said it had proved effective because of "close, frequent consultations." It reflected "specific understandings that are reviewed regularly and adjusted in the light of market conditions."

Mr Mulford went on to paint a bright picture of the US economy. The trade deficit was falling, private savings were rising and progress had been made on reducing the Federal budget deficit, he said.

During the past three years of economic policy co-ordination, Washington's allies have often chafed at criticism and responded that the US should do more about its current account and domestic budgetary imbalances.

In line with earlier criticism of Asia's four newly industrialised countries (Nics), Mr Mulford said that Taiwan, South Korea, Hong Kong and Singapore could no longer expect a "free ride." He said the Nics should open their markets to imports and allow the value of their currencies to rise.

Zia sacks PM, pledges Islamic policies

BY MOHAMMED AFTAB IN ISLAMABAD

GENERAL ZIA ul-Haq, President of Pakistan, is to reintroduce Islamic policies aimed at boosting economic growth and spreading law and order, he said last night.

His statement followed his unexpected dismissal on Sunday of Mr Mohammed Khan Junejo, the Prime Minister, and the dissolution of the national assembly.

Contrary to expectations, however, he failed last night to announce names of a new Prime Minister and caretaker government. He also gave no date for fresh elections, which he had said on Sunday would be held within 90 days.

Mr Junejo acknowledged last night that President Zia had acted constitutionally but accused him of giving the development of democracy "a big jolt and stopping it in its tracks."

There were no signs of any significant political opposition or civil disobedience in protest at the President's move, which reasserts the political power of the military in the country. The president first made himself martial law adminstrator and then president in a 1977 coup which ousted the late President Zulfiqar Ali Bhutto.

In a national broadcast last night President Zia was scathing about the regime led by Mr Junejo, whom he chose as Prime Minister three years ago. He said Mr Junejo had had to "bribe everyone" to keep them loyal to his Pakistan Muslim League Party, which he had insisted on forming. Corruption was "rampant," reaching to the "highest levels."

The national economy was "paralysed" and in a state of "crisis," with a damaging amount of domestic and external borrowings. Lawlessness had caused "the most unprecedented bloodshed in the whole history of the country" and calls for separatism in Mr Junejo's home province of Sind had increased.

Miss Benazir Bhutto, Pakistan's main opposition leader, welcomed the dismissal. Aged 34, she was married last December and is nearly three months pregnant. There has been speculation that President Zia would call an election when she became pregnant and might be unable to campaign.

Zia shows who is boss, Page 3

UK rivals make joint bid for Irish Distillers

Continued from Page 1

sumed domestically but GC&C yesterday emphasised its international sales potential.

Irish Distillers has suffered an uneven profits performance in recent years, partly because of a long strike in 1985. Pre-tax profits fell from I£12.9m to I£2.7m in the year to last September, because of reorganisation and rationalisation costs of I£10.4m. However, in the six months to March taxable profits rose to I£7.84m and brokers estimate it could make I£16m this year.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	21	70	Malta	S	28	82	Rhodes	S	23	73
Algiers	S	27	81	Edinburgh	C	16	61	Manchester	S	11	52	Rio de Jo	R	27	81
Amsterdam	C	17	63	Faro	S	21	70	Manila	C	30	86	Rome	F	22	72
Athens	S	26	79	Florence	F	22	72	Melbourne	F	16	61	Salzburg	S	17	63
Bahrain	F	35	95	Frankfurt	C	18	64	Mexico City	F	27	81	San Francisco	F	18	64
Bangkok	F	33	91	Funchal	F	22	72	Miami	R	27	81	Seoul	F	28	82
Barcelona	S	21	70	Geneva	F	16	61	Milan	C	20	68	Singapore	R	31	88
Beirut	F	26	79	Gibraltar	S	25	77	Montreal	C	27	81	Stockholm	C	23	73
Belfast	C	13	55	Glasgow	F	16	61	Moscow	F	22	72	Strasbourg	F	18	65
Belgrade	F	28	78	Guernsey	S	13	55	Munich	S	17	63	Sydney	C	16	61
Berlin	C	21	70	Helsinki	F	24	75	Nairobi	F	24	75	Taipei	F	30	86
[illegible]				[illegible]				[illegible]				[illegible]			

Mother Russia

Continued from Page 1

nitely been given a boost by the summit. An Astro Pizza truck, with Texas licence plates and the slogan "It's fresh, it's fast, free delivery" painted on its sides, has set up shop behind the onion domes of St Basil's Cathedral. The American and Russian partners in the joint venture have agreed to split the profits 50-50. At 1.25 roubles ($2) a slice and a roaring trade of 290 an hour it promises to be a good deal.

The Soviet News agency, Tass, has also decided to restructure itself by going into business with an American advertising agency to market special summit tee-shirts, depicting the flags of the two nations. But 1992 is still a far-cry in US-Soviet trade relations, for the same tee-shirt that is selling for $12 in Washington, costs $20 in Moscow.

Nowhere have the changes in attitude produced by the summit been expressed more delicately than at a petrol station near the centre of the city – whereas, not long ago, a notice flatly proclaimed "We have no oil" this has recently been modified to "Excuse us, there is a temporary shortage of oil." Such are the first results of perestroika!

THE LEX COLUMN

The Japanese are hard to please

On the face of it, it may seem churlish to regard a 10-fold rise in the rate of corporate profits growth in the space of 12 months with anything other than awe. True, evidence of Japan's corporate triumph over the strong yen has been around for so long that it no longer excites the Western imagination. But last week's news of 28 per cent average growth in Japanese corporate profits for the year to March 1988 against a 2.8 per cent rise the previous year remains a hard story for any other market to beat.

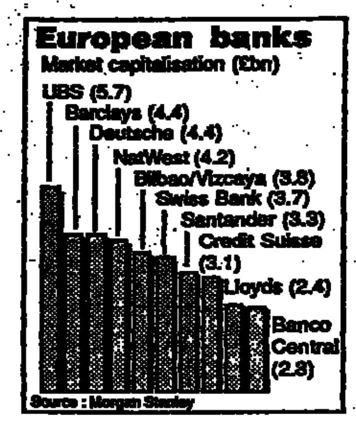
To judge from the ho-hum reaction of the Nikkei index last week, though, the Tokyo market had got all that out of its system months ago – in plenty of time for the annual avalanche of results which came through last Thursday and Friday. For although the figures looked stunning by any yardstick other than a Japanese one, they were mostly either in line with or not a lot above expectation.

They showed a picture of strong demand growth – particularly from consumer spending, which could well race ahead in the current year too – and even stronger growth in margins. And with after-tax margins calculated by Nomura to average only 1.3 per cent last year, against 4.1 per cent for the US, there must be further scope this year as well.

If anyone was still concerned about the substantial proportion of corporate profits which come from *Zaitech*, or financial investments, they found nothing to confirm their worries. In the event of a market downturn, *Zaitech* would no doubt help it on its way; but that was the view after the October crash too, and not much seems to have come of it.

Obviously, last year's profits are yesterday's story for investors; but even the companies' forecasts for the current year apparently gave the market little to celebrate. The consensus seems to be that corporate profits growth could slow fairly dramatically in the year to March 1989, averaging perhaps only 15 to 17 per cent – despite the fact that gross national product growth estimates have been consistently revised upwards recently, to anything from 4.1 to 4.6 per cent for 1988. Capital expenditure stocks should see earnings growth of 30 to 35 per cent and electronics stocks the same amount or more; but the fact remains that the market has a peak in sight and does not like the prospect.

It would not be the first time that the market had indulged such a premonition only to find that things were not as bad as all that. Last year investors decided that housing starts were about to turn sharply downward, and housing stocks lost 40 per cent of their value as a result. But starts have held up surprisingly well, and the construction firm Daiwa House is now predicting 25 per cent growth in net profits this year against earlier forecasts of flat growth. So far, the market does not seem inclined to draw any general lessons.



Spanish banks

If one side-effect of the move to a single European market is that investors will begin to value companies in different countries on the same basis, the Spanish banking market could be an interesting case study. Although Spanish banks still rank well down the European league table in terms of asset size, three of the 10 biggest banks in Europe are now Spanish when measured by stock market capitalisation. One of the most extreme cases of the differing valuations investors put on European bank shares is Banco Santander, the fifth biggest bank in Spain. Its balance sheet is almost a third smaller than that of the Royal Bank of Scotland, yet it has a stock market capitalisation of £3.3bn – three and a half times bigger – and sells on an earnings multiple almost four times as high.

Clearly, differences in accounting treatment, asset quality and profitability may partly explain the variations, but there have to be other reasons for such a wide divergence. The recent spate of takeover activity in the Spanish banking sector – which shows little sign of abating – may be part of the explanation. Salomon Brothers, which has just been hired by a group of dissident Spanish and Kuwaiti shareholders in Banco Central, Spain's biggest bank, is the latest in an influx of US investment bankers anxious to ensure that shareholder value is not forgotten in the rapid consolidation of Spanish banking.

Meanwhile, Spain boasts the fastest growing economy in Europe, and the margins in the local banking market make other European bankers drool. First quarter profits from Spanish banks show rises ranging from 46 per cent (Banco Hispano Americano) to 27 per cent (Banco Popular), and Spanish bank profits could rise by around a third this year. Throw in the fact that many Spanish banks have substantial industrial investments and as a group account for 45 per cent of the total Spanish stock market, and part of the relatively higher valuations is understandable.

Nevertheless, the gap between the prices put on Spanish and other European banks still looks unusually wide, especially on a yield basis. The British clearers, for example, are not the only banks sporting yields well above the market. According to Morgan Stanley, Credit Suisse shares yield 4.8 per cent, compared with 4 per cent offered on long-term Swiss Government paper, and Amro shares yield 7.9 per cent, a fifth more than Dutch Government bonds. By contrast, Spanish banks yield around 3¼ per cent, compared with long-term government bond yields of over 12 per cent.

Even if generous assumptions are made about the long-term growth potential of the Spanish economy, there is a number of reasons why Spanish bank shares look expensive relative to other European banks. For a start, there are signs that the Spanish authorities are anxious to curb foreign acquisitions of local banks, which means that some of the takeover speculation in share prices may be unjustified. More important, there is a real danger, as barriers to entry fall, competition will squeeze banking margins; and, as the recent European Commission assessment of the economics of 1992 underlined, Spain is far more vulnerable than other countries on this score.

The combination of cost savings from the overdue rationalisation of a heavily overbanked market and above-average organic growth may well offset the impact of a long-term squeeze on profit margins. But it is a question foreign investors should bear in mind before they pile into Spanish bank shares.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday May 31 1988

INTERNATIONAL BONDS

Trax battle to continue in AIBD arena

BY DOMINIQUE JACKSON IN LONDON

THE EUROBOND market may be hoping for a relatively quiet time this week, in the wake of last week's onslaught of new issues and with several dealers away to Dallas, Texas, for the Association of International Bond Dealers 20th annual general meeting and conference.

However, their absence may not be as conspicuous this time as it has been in previous years. About 1,200 members will be attending the Texas meeting, far fewer than the number at Oslo last year and little more than half the number that made it to Singapore in 1986.

Since then, market conditions have changed radically and this year few houses have been able to justify the expense of sending large numbers to what has always been more of a social than a business event.

The market certainly presents a markedly changed face this year. In 1987, for the first time, several sectors had severe liquidity problems and new issue volume saw its first major downturn since 1980.

Investor concerns about the depth of the market and uncertainties on stock and currency markets both slowed activity considerably in the latter half of the year.

Thus, although the conference has traditionally been an opportunity for the players of what is essentially a telephone market to meet face-to-face, this year may see some more serious and searching debate with an examination of the current less than robust state of the market post-October crash high on both the official and the informal agenda.

The subject which seems set to engender the most heated debate, however, has no time at all allotted on the formal programme.

This is the increasingly acrimonious row between the AIBD and the two Eurobond clearing organisations about the AIBD's plans to introduce a new trade matching system.

The clearing houses, Euro-clear and Cedel, argue that the AIBD project, known as Trax and due to be introduced for a pilot phase later this year, is too expensive and duplicates services they can provide by improving the computerised trade matching mechanism which they brought in last September.

However, the AIBD remains committed to Trax, which it believes played a part in the decision of the Securities and Investment Board to designate the Eurobond market as an overseas investment exchange, thus exempting it from important parts of the UK's new securities laws.

The two sides remain at loggerheads.

The AIBD's Committee of Regional Representatives recently urged both the AIBD and the clearers to work towards effecting a close link between Trax and the clearers' system, known as ACE.

However, the clearing houses have so far refused to co-operate and have been lobbying hard recently in the market against any such link.

Lobbying seems set to continue in Dallas but AIBD officials said that they would also be on the offensive. "1987 – Crash or Cure" is the subject of a high-level panel discussion.

The radical drop in volumes since the October stock market crash has obliged most AIBD member houses to review the set-up of their organisations and their secondary bond market activities.

Some houses are being forced out of business as competition hots up and margins fall.

The shake-out is by no means over, as the loss of 22 jobs at Security Pacific Hoare Govett last week would seem to indicate, and the mood in the market remains nervous.

How honest most houses will be in recounting the measures they have already taken to slim down operations is a moot point.

The Eurobond redundancies market since the crash has been a difficult sector to track with few houses prepared to let the competition see quite how badly they have been hit.

However, although most member houses will be endeavouring to put on a brave show, it seems that few feel confident enough in Dallas to invest huge amounts in the lavish parties and receptions of yesteryear.

The market's more weighty preoccupations in 1988 seem set to replace the social whirl of previous meetings.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	830.0	2.5	110.0	7,905.8
Prev	1,974.0	5.6	112.0	7,613.7
Other	3,909.2	191.9	0.0	846.7
Prev	3,723.4	0.0	710.6	1,173.2
Secondary Market				
US$	15,436.0	1,110.8	8,382.2	5,084.5
Prev	17,869.6	1,079.2	7,121.6	4,659.3
Other	20,757.8	1,097.8	6,027.0	25,582.3
Prev	22,769.0	1,086.2	3,724.9	27,664.8

	Cedel	Euroclear	Total
US$	10,463.9	28,397.9	38,861.8
Prev	11,648.1	28,786.9	40,435.0
Other	25,533.6	32,879.3	58,412.9
Prev	29,559.8	31,292.3	60,852.1

Week to May 26, 1988. Source: AIBD

EURONOTES AND CREDITS

First sign of shift in Japanese bank strategy

BY STEPHEN FIDLER IN LONDON

MUCH HAS been made by international bankers of a likely shift in strategy by Japanese banks because of international standards of capital adequacy.

Tougher capital requirements, it was suggested, would lead Japanese banks to move away from old policies of building balance sheets towards an approach which focused on profitability. It seems this shift is already having an effect.

At least that is what is suggested by the Japanese banks' response to the general syndication of a L400bn credit for four agricultural lending subsidiaries of four well-known Italian banks. Lending to southern European borrowers has been a business in which Japanese banks have played a prominent part.

The assumption that Japanese banks could be "stuffed" with such loans has been behind some very aggressive pricing in the past.

Perhaps not any more. Apart from Bank of Tokyo and Sumitomo Bank, which are in the seven-bank lead underwriting group, the London bank subsidiaries of two securities firms are the only other Japanese representation so far among the lenders.

The 10-year credit, with an average life of 5½ years, carries a margin of 15 basis points for the first five years and 18¾ basis points for the rest, but clearly this does not provide a sufficient return for most Japanese banks.

The Japanese banks, senior bankers from Tokyo report, are also belatedly developing their abilities to distribute loans.

US and other banks have long sold on their assets to others, including the Japanese banks themselves.

Now the Japanese banks are seeking distribution in their own home market among institutions with which they have had long-standing relationships but which, of course, are not subject to the same capital requirements.

Takeovers were again a talking point last week. Union Bank of Switzerland was said to be raising a £1.75bn credit for Suchard, the Swiss chocolate maker bidding for Rowntree, with Swiss Bank Corporation also underwriting part of the deal.

In the UK, Chemical Bank is arranging debt finance for a proposed management buyout of the British paper interests of Reed International.

British Airways' $2bn financing, in support of its purchase of Boeing 767-300s, completed its general syndication last week, and is expected to be signed in August.

National Westminster, Chemical Bank and Mitsubishi led the deal, which is said to have a final maturity of 23 years.

S.G. Warburg is raising £150m on behalf of Confederation Mortgage Services (UK), a wholly-owned subsidiary of Confederation Life Insurance of Canada.

It is a conventional five-year credit which will be substantially drawn. It carries a margin over London interbank offered rates of 45 basis points, and a commitment commission of 12½ basis points is payable if utilisation falls below 80 per cent.

The minimum average annual utilisation is guaranteed at 50 per cent.

Spreads are wider than on conventional corporate credits, but banks demand extra rewards when there are no perceived relationship benefits.

UK Mortgage Securities, with a mortgage portfolio from the Cannon Lincoln Group subsidiary of the Lincoln National Group of the US, has established a £150m facility arranged by Bank of Montreal Capital Markets.

Manufacturers Hanover is syndicating a $53m five-year financing, to be converted into Swiss francs, for F.L. Smidth, the Danish builder of cement plants. It carries a 30 basis point margin.

Daimler defeated on plan for Dornier

By Andrew Fisher in Frankfurt

DAIMLER-BENZ, the diversified West German motor group, has had to admit defeat, at least temporarily, in its plan for a DM300m ($174m) capital increase at its Dornier aerospace subsidiary after failing to reach agreement with minority family shareholders.

At the same time, it confirmed yesterday that it had been talking with the Federal Government and the state of Bavaria about its role in the aerospace sector. It declined to say whether this concerned a possible stake in Messerschmidt-Boelkow-Blohm or to confirm reports that the Government had offered to take over MBB's risks in the Airbus programme to persuade Daimler to buy into the company.

Mr Edzard Reuter, the chairman of Daimler, has stressed that the European aerospace industry needs to be reorganised so as to be able to compete with the US. But he said earlier this month that a restructuring in Germany need not necessarily mean Daimler taking a stake in MBB.

At present, Daimler's only aerospace interest is Dornier. The group will try to reverse its setback at the hands of the Dornier family members over the capital injection at the end of June, when a further shareholders' meeting will be held.

Daimler, which owns 65.5 per cent of Dornier, wants to enlarge the company's capital to help finance the DM700m of development costs associated with the Do328 commuter and regional aircraft. Under the capital increase, Daimler would put up nearly DM200m and the family members some DM90m. The state of Baden-Wuerttemberg also has a 4 per cent stake.

At last week's meeting, the shareholders authorised the continuation of the Do328 programme.

Nissan profits rise sharply on back of cost-cutting drive

BY STEFAN WAGSTYL IN TOKYO

NISSAN, the second largest Japanese manufacturer of cars, yesterday reported a four-fold recovery in consolidated pre-tax profits to Y90.9bn ($727m) for the year to March 1988, thanks mainly to a fierce cost-cutting drive.

Recovering from a year in which it suffered its first operating loss as a public company, Nissan also gained from increased sales of high-margin luxury models and a jump in profits from financial investments, or Zaitech.

However, group sales dipped 0.7 per cent to Y4,244bn, a measure of Nissan's failure to boost domestic sales sufficiently to offset a fall in exports hit by the strength of the yen. Domestic vehicle sales rose by 18.5 per cent to Y1,510bn, while exports from Japan fell by 17.7 per cent to Y1,282bn.

The rise in domestic turnover reflects the success of newly-launched luxury models, notably the Cima, which is to be introduced in the US this year. But in volume terms, Nissan lost market share – its domestic sales rose 5.8 per cent to 1.05m vehicles, compared with a 9 per cent increase in the market as a whole.

For the current year, Nissan forecasts that vehicle output within Japan will be barely changed at 2.2m units but will rise by 7 per cent to 550,000 in overseas factories, including the plant at Washington, in North-East England.

Mr Naofumi Uchiyama, a Nissan director, said the company cut costs last year by Y130bn, after a Y200bn reduction in the previous year. About Y90bn of last year's improvement came from lower costs of materials and parts from suppliers and the rest from streamlining production. Nissan shed about 1,500 of its 53,000 workers.

In addition, the company invested heavily in supporting dealers with staff and with funds. This cost Y40bn, double the previous year's figure, and was partly accounted for by an extraordinary charge. As a result, the increase in consolidated net income of 217 per cent to Y64.5bn was less than the increase at the pre-tax and pre-extraordinary items level. Earnings per share were Y28, against Y9.2.

For the parent company alone, Nissan reported profits of Y137bn, up 15.6 per cent, on sales of Y3,419bn, 0.3 per cent lower. Net income, hit by extraordinary charges, was down 17.2 per cent at Y38.6bn.

For the current year, Nissan forecasts unconsolidated profits of Y140bn pre-tax and Y60bn net on sales of Y3,500bn.

Iri group remains in black

BY JOHN WYLES IN ROME

ITALY'S BIG industrial and financial holding group, Iri, recorded its second consecutively profitable year in 1987, despite losing more than L1,400bn in the steel sector and a lower contribution from its banks.

Group net profits fell from L367m in 1986, the first such surplus for a decade, to L190bn ($149m).

After taking account of the sale of Alfa Romeo and the deconsolidation of the SGS electronics subsidiary, revenues from industrial activities rose 9.5 per cent to L53,511bn and operating profits 8.9 per cent to L9,940bn.

In line with the Italian banking sector's general decline in profits, Iri's three banks contributed lower net earnings of L740bn, compared with L1,040bn in 1986.

In contrast, losses on industrial activities fell from L558bn to L127bn, before special payments of L234bn.

Aga shows earnings increase of 21%

By Sara Webb in Stockholm

AGA, THE Swedish industrial gas company, has reported profits (after financial items) of SKr297m ($50m) for the 1988 first quarter, an increase of 21 per cent on the same period last year.

The group expects full-year profits to show an increase on last year's figure of SKr1.014bn.

The first-quarter increase in profits reflects an improvement in margins on Aga's gas operations and the fact that it sold off its troubled tool steel operations for SKr580m in March. The tool steel division had shown weak profits and a decline in sales since 1985.

Taking comparable units in consideration, group sales increased by 8 per cent to SKr2.283bn in the first quarter. Aga said its gas operations had shown "favourable development," but that Frigoscandia, its commercial freezing business, had reported lower income as a result of seasonal variations.

Bic attacks rival on delay of Dim sale to Sara Lee

BY GEORGE GRAHAM IN PARIS

BIC, THE French throwaway pens and lighters specialist, has bitterly attacked one of its competitors for holding up the sale of its stockings subsidiary, Dim, to Sara Lee, the US cake group.

Baron Marcel Bich, the company's founder and chairman, yesterday accused Devanlay, the underwear producer based in Troyes, in the Champagne region, of "blackmailing the Government" into blocking the sale to Sara Lee, which, as a non-European Community company, needs the permission of the French Treasury to take control of Dim.

Sara Lee acquired a 24 per cent stake in Dim a year ago through a capital increase, rising to 33.9 per cent on conversion of loanstock into equity, for a total of FFr500m ($86.5m). This purchase was approved by the Government. Bic then agreed in January this year to sell 81 per cent of its Dim stake to Sara Lee for FFr300m.

Devanlay, which has the Champs Elysees and Exciting underwear brands, has since been seeking to buy the underwear division of Dim, while some government officials have been baulking at the prospect of seeing one of France's rare textile industry successes move overseas.

Baron Bich said he had chosen Sara Lee, which is the US's leading stockings distributor with its Legg's brand, because of what it could bring to Dim. He hoped the pressure from the US would prove to be stronger.

"I would not be against discussing something with Devanlay afterwards, but they cannot say they will give authorisation to Sara Lee on condition that they do this or that," he said.

Devanlay's entire senior management was absent in Egypt yesterday and could not be contacted for comment.

Bic, in which the Bich family controls 46.29 per cent of the capital and the managing director, Mr Edouard Buffard, a further 12.88 per cent, made net profits of FFr485m in 1987, including FFr108m of exceptional gains from the entry of Sara Lee into Dim.

The group now claims to be the world's leading producer of ballpoint pens, cigarette lighters and throwaway razors (although in second place in the overall wet shave market).

Besides launching a new top-of-the-range throwaway razor this month, Bic has also embarked on the scent market, with a range of perfumes sold at FFr20 per atomiser in the group's traditional retail outlets such as tobacconists and stationers.

SANOFI, the fast-growing French pharmaceutical and beauty products company controlled by Elf-Aquitaine, expects earnings to increase by about 20 per cent this year to FFr720m ($125m).

The company, which recently acquired a large stake in Nina Ricci as well as in an Italian perfumes business, said turnover for the first four months of 1988 had risen by 8 per cent. It said it continued to seek acquisitions in Europe and the US.

Bouygues expects flat sales and profits

By Paul Betts in Paris

BOUYGUES, the leading French construction group, expects to report flat sales and profits this year.

Sales are expected to reach about FFr53.7bn ($9.3bn) against FFr53.4bn in 1987 and profits are expected to be similar to the FFr695m made after tax last year.

Mr Francis Bouygues, the chairman, confirmed his group's intentions to continue investing heavily in communications after the acquisition of a 25 per cent stake and management control of TF-1, France's largest television network.

Although the TF-1 acquisition was widely criticised last year, Mr Bouygues appears to be winning his bet with his bold diversification into television.

When TF-1 was a state channel it was heavily in the red. However, Mr Bouygues indicated yesterday that the channel had operated in profit last year.

TF-1 profits amounted to about FFr72m, according to group estimates.

The chain has increased its share of the French television market from 40 per cent to 45 per cent since Bouygues took over management control, while its nearest rival, the national Antenne 2 network, has seen its market share decline by 10 points to 27 per cent.

Mr Bouygues said yesterday his ambition was to create "a real European television channel."

The construction group paid FFr1.5bn for its 25 per cent stake and management control of the French network.

Bouygues' diversified businesses, which include communications as well as water distribution, electrical services, and offshore oil services, look set to account for 27 per cent of turnover this year and very nearly 10 per cent of total profits.

Japanese shipping groups slide despite heavy rationalisation

BY OUR TOKYO STAFF

JAPANESE shipping companies suffered last year with the continuing recession in most sections of the market.

Despite heavy rationalisation co-ordinated by the Transport Ministry, four out of six leading companies reported losses at the pre-tax level for the year ended March 1988 and at the remaining two profits fell sharply.

The companies said that the strength of the yen compounded their difficulties, since their costs are mostly met in yen while shipping rates are generally set in US dollars.

Nippon Yusen, NYK Line, the largest company, saw a 19.3 per cent decline in pre-tax profits to Y7.6bn ($60m) on slightly lower sales of Y414bn. For the current year, the company forecasts profits of Y8bn pre-tax. Cost-cutting is to continue with the planned sale of 15 to 20 ships and the loss of 400 jobs out of a total of 3,450.

Mitsui OSK, the second biggest company, reported a 33.5 per cent fall in pre-tax profits to Y2bn on turnover of Y346bn, down 3.9 per cent. The company forecasts a slight improvement to Y3bn profits this year.

Japan Line, which has been given rescue finance by the Industrial Bank of Japan, and Kawasaki Kisen, reported decreased losses. However, at Nisshin Kisen and Yamashita-Shinnihon losses increased at the pre-tax level.

Zaitech puts Konica results slighty ahead

BY OUR TOKYO STAFF

KONICA, the Japanese camera and photosensitive film company, turned a decline in operating profits into a modest increase at the pre-tax level with the help of gains from financial investments, or Zaitech.

Operating profits in the year to March eased by 0.1 per cent to Y10.7bn ($85m) on sales 10.2 per cent up at Y329bn. Pre-tax profits were 2.4 per cent up at Y11.8bn.

Margins were squeezed by fierce competition in the home market. For the current year, Konica forecasts a 25 per cent rise in pre-tax profits to Y14.5bn on sales 17 per cent up at Y350bn, due to expanding turnover in office equipment.

Asahi Optical, which makes Pentax brand cameras, increased sales by 37 per cent to Y67.2bn due to brisk demand for compact cameras. But the company was unable to reach its target of breaking even because of the continuing impact of the high yen on exports.

Pre-tax losses were Y514m against Y4.3bn. The company expects to break even in the current year.

● Pre-tax profits of Nippon Light Metal, the leading Japanese aluminium group in which Alcan Aluminium of Canada has a 50 per cent shareholding, soared from Y1.8bn to Y13.9bn in the year ended March, mainly because of the surge in the price of primary aluminium.

Sales rose only 6.1 per cent to Y248bn. The company reported Y2.6bn in foreign exchange losses and made a special write-off of about Y5.5bn following withdrawal from alumina production. Net profit was Y10bn, compared with only Y20m in the previous year. The company is forecasting pre-tax profits of about Y8bn in the current year, but says it will continue to pass its dividend.

Hudson's Bay see return to profit for 1988

By Robert Gibbens in Montreal

HUDSON'S BAY COMPANY, Canada's largest retailer, plans to return to profit this year, Mr George Kosich, president, told the annual meeting in Toronto.

The turnround will come mainly from a "substantial improvement" in the performance of the Bay and Simpsoms department chains, the company's largest retailing units.

Overall the Bay group, including real estate, reported a net loss of C$96.5m (US$78m) for last year on sales of C$4.8bn.

Securities sales provide boost to Japanese commercial banks

BY OUR TOKYO STAFF

JAPAN'S 13 city, or commercial, banks, report average pre-tax profit increases of 36.6 per cent for the year to March 1988 due to reduced fund-raising costs, asset growth and, above all, hefty gains on securities sales.

The banks all benefited from falling interest rates, which lowered the cost of gathering funds in a market where deregulation has greatly increased the proportion of funds that have to be raised at market rates.

They also continued to profit from the expansion of assets, albeit at a slower rate than in previous years. But the outstanding element in the results were the gains from securities – which are highlighted by the fact that average profits before securities transactions rose by 12.8 per cent, one-third of the gain at the pre-tax level.

An important reason for securities sales is the banks' need to raise their capital adequacy ratios, a measure of balance sheet strength, to meet international rules proposed by the Bank for International Settlements, the central bankers' club. Another is a need to raise taxable provisions for loans to problem countries from 5 to 10 per cent, in line with a recent regulatory change by the Ministry of Finance.

At the top of the tree, Dai Ichi Kangyo, the largest bank in terms of assets, replaced Fuji as the top profit earner in both pre-tax and net terms. However, Fuji retained its lead in profits assessed before securities sales – a better indication of underlying profitability of a bank's operations.

Sumitomo, which in 1986 was hit by losses incurred in taking control of the ailing Heiwa Sogo Bank, recovered to regain second place in pre-tax and net profits.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Shin-Etsu Polymer♦	60	1993	5	4⅛	100	Yamaichi Int.(Eur)	4.125
C'with Bk A'tralia(a)‡♦	300	Perp.	-	15bp	100	CSFB	-
Hino Motors♦	100	1993	5	(4¼)	100	Yamaichi Int.(Eur)	★
Sumitomo Bakelite♦	150	1993	5	(4¼)	100	Nomura Int.	★
Settsu Corp.♦	120	1993	5	(4¼)	100	Daiwa Europe	★
Gunze Ltd.♦	150	1993	5	(4¼)	100	Nikko Secs(Europe)	★
Mitsubishi Heavy Ind.♦	400	1992	4	(3½)	100	Nikko Secs(Europe)	★
Mitsubishi Heavy Ind.♦	200	1995	7	(5)	100	Nikko Secs(Europe)	★
Alcan Finances(c)§	200	2003	15	(4)	100	CSFB	★
Kimberly-Clark♦	100	1995	7	9¾	101⅝	Goldman Sachs Int.	9.423
LTCB of Japan♦	200	1993	5	9⅜	101⅝	LTCB Int.	8.958
Asian Dev. Bank (g)♦	100	1995	7	9⅜	99.97	Salomon Brothers	9.381
Showa Denko♦	250	1993	5	(4¼)	100	Yamaichi Int.(Eur)	★
Ushio Inc.♦	150	1993	5	(4¼)	100	Daiwa Europe	★
Austria♦	100	1998	10	10	102	Mitsubishi Fin.	9.679
BT Gold Notes§♦	100	1992	4	(h)	96.26	BTI/Lazard Freres	-
News Int. (j)♦	100	1991	3	8⅞	100⅜	Banque Paribas	8.728
Nippon Express♦	400	1993	5	(4¼)	100	Nomura Int.	★
CANADIAN DOLLARS							
Abbey National B.Soc.♦	75	1993	5	10⅝	101⅝	Chase Inv. Bank	10.194
Cepme♦	90	1991	3¼	10	101⅜	J.P. Morgan Secs.	9.457
Mun. of Metro.Toronto♦	50	1995	7	10⅜	101¼	Wood Gundy	10.117
AUSTRALIAN DOLLARS							
Pioneer Concrete Fin.§	150	1998	10	(9¼-¾)	100	Morgan Stanley Int.	★
Algemene Bk Nederland♦	75	1993	5	12⅝	101¼	ABN	12.138
CIBC Australia♦	50	1991	3	13⅛	101½	Wood Gundy	12.495
Chrysler Cr. Canada♦	50	1993	5	13¼	101⅜	Bayerische Vereinsbk	12.860
F. van Lanschot♦	50	1992	4	12¾	101⅛	Banque Paribas	12.377
Van Ommeren♦	50	1993	5	13	101⅝	Amro Bank	12.543
Swedish Export Credit♦	50	1991	3	13¼	101½	Wood Gundy	12.619
H.J. Heinz♦	100	1991	3	12¾	101¼	SBCI	12.021
D-MARKS							
3i International♦	200	1998	10	6¼	99¾	WestLB	6.284
Nissan Real Estate★★♦	30	1993	5	5½	100¼	Ind. Bank of Japan	5.442
Haindl Finance♦	100	1998	10	6½	100	Bayerishce Vereinsbk	6.500
Philips♦	300	1995	7	5¾	100	Dresdner Bank	5.750
SWISS FRANCS							
Okamura Corp.§★★♦	70	1992	-	⅞	100	Handelsbank NatWest	0.877
Nippon Tel. & Tel.♦	200	1995	-	4¼	101⅛	Credit Suisse	4.062
Eksportfinans (e)♦	100	1993	-	2½	99¾	Kredietbank (Suisse)	2.554
Oest. Kontrollbank♦	75	1995	-	4½	101¼	Wirtschafts-und P'bk	4.290
Oest. Kontrollbank♦	75	2003	-	5	100	Wirtschafts-und P'bk	5.000
Kaga Electronics★★§	60	1993	-	(½)	100	Handelsbank NatWest	★
EIB♦	150	1998	-	4⅝	100	SBC	4.625
Takasago Int.§★★	30	1993	-	(1¼)	100	Bank Julius Baer	★
Banque Worms (Paris)★★♦	80	1998	-	4⅞	100½	Banca del Gottardo	4.811
Postipankki (e)♦	100	1994	-	2¾	100	Kredietbank (Suisse)	2.750
STERLING							
Banque Indosuez♦	50	1993	5	9⅝	101½	Samuel Montagu	9.237
Finland (b)♦	100	2008	20	10⅛	100	CSFB	10.125
Settsu Corp.♦	50	1993	5	(4⅜)	100	CSFB	★
Rolls-Royce♦	150	1993	5	9⅝	101¾	Goldman Sachs Int.	9.173
TMC M'gage Secs.8(k)‡♦	100	2018	7.2	32½bp	100	Salomon Brothers	-
FRENCH FRANCS							
Interfin.-Cr.National♦	200	1993	5	9⅛	102⅜	CCF	8.522
LUXEMBOURG FRANCS							
Cr.Comm. de France★★♦	300	1993	5	7⅛	100	C.d'Epargne l'Etat	7.125
Belgelectric Fin.(m)★★♦	600	1994	6	7⅜	100	Credit Europeen	7.375
Barclays Bank★★♦	300	1993	5	7¼	100½	BIL	7.128
LIRE							
Euratom♦	107bn	1992	4	10½	101	Banco di Roma	10.183
DANISH KRONER							
Kemira Oy♦	300	1993	5	10¼	100⅞	Den Danske Bank	10.019
YEN							
State Bank of India♦	15bn	1993	5	5¼	101⅞	IBJ Int.	4.819
Swedbank (f)♦	5bn	1993	5	6.4	101⅞	IBJ Int.	5.955
Cariplo♦	10bn	1993	5¼	5	101⅞	Nippon Credit Int.	4.585
Nisshinbo Netherlands♦	10bn	1993	5¼	5⅛	101⅝	Nomura Int.	4.763
Alliance & Leicester†♦	10bn	1993	5	(d)	100	Mitsui Fin. Int.	-
New Zealand (f)♦	20bn	1995	7	5½	101⅞	Nomura Int.	5.174
G'zentrale und Bk Oest.♦	10bn	1992	4	5	101½	LTCB Int.	4.581
Christiania Bank♦(o)♦	5bn	1993	5	6	101⅞	Toyo Trust Int.	5.560
World Bank (n)♦	60bn	1998	10	5⅛	100⅝	Daiwa Secs.	5.108
ECUs							
American Express♦	100	1991	3	7½	101¼	Bankers Trust Int.	7.023
ANZ Banking♦	100	1993	5	8	101⅞	SBCI	7.536
CNT♦	150	1993	5	7⅜	101⅛	Credit Lyonnais	7.100
Credit Suisse Finance♦	75	1992	4	7⅜	101⅝	CSFB	6.896
GMAC♦	100	1991	3	7½	101¼	Banque Paribas	7.023

★Not yet priced. ★★Private placement. ‡Floating rate note. †With equity warrants. §Convertible. ♦Dual-currency. (a) 15bp over 6m Libor, can be exchanged for 5 year FRN after 5 years. (b) Partly-paid. (c) Exchangeable into shares of Nippon Light Metal Co., borrower has cash option. (d) 55bp under Japanese long-term prime rate. (e) With 3 year $ currency warrants. (f) Redemption linked to Nikkei stock index. (g) Launched on US domestic market. (h) Linked to gold price over 4 years. (j) First year investor can switch into FRN of same maturity, paying 25bp over 3m Libor. (k) 32½bp over 3m Libor. (m) Launched in two LFrs300m tranches. (n) Daimyo bond - fungible with Daimyo issue launched in February. (o) Redemption in US$ at 117.17. Note: Yields are calculated on AIB D basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Discount rate speculation grows as Fed tightens

SLOWLY AND quietly last week, the US Federal Reserve went into the money markets to restrict the supply of credit and get a grip on a US economy which gives every sign of wanting to go its own way.

This is the third effort by the central bank to tighten monetary conditions and may be, in the belief of Salomon Brothers, "the boldest move yet in the Fed's turn toward restraint." The rate for Federal Funds, which are overnight loans between banks, rose from its range of 7 to 7¼ per cent after the last Fed tightening to 7½ per cent at one point last Thursday. This rate is the highest since the run-up in interest rates which precipitated the stock market crash in October.

The Fed's action brought some steadiness to the credit markets, which have been increasingly rattled by the strength of the US economy and the danger that inflation will soon undermine fixed-income investment. Money market rates moved up with Fed Funds but longer-term interest rates actually turned a bit lower: the 30-year Treasury issue 9¼ per cent of 2018 rose ¼ point in price to yield 9.33 per cent. In effect, long-term bonds gave up a bit of their inflationary premium in response to the Fed's action while other markets – the dollar was firmer and gold prices fell – also nodded approval.

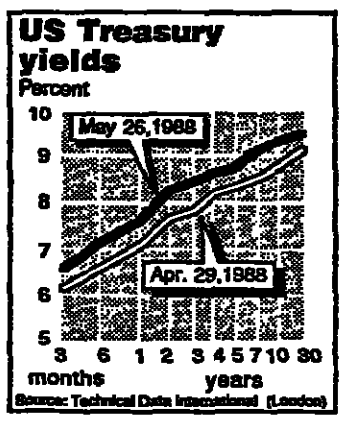
The justification for the Fed's latest move was yet more evidence of a robust economy. With the help of booming exports, the US economy, as expressed in gross national product, grew by 3.9 per cent in the first quarter of this year. This was far higher than the 2.3 per cent increase originally reported and way beyond any market expectations.

Credit markets reacted badly. Because of their obsession with the strength of the economy, the markets no longer draw any comfort from the whittling down of the trade deficit through the surge in US exports. For the markets, exports may well have risen 21 per cent in the first quarter but consumer spending also rose, by 4.3 per cent, and that is the trouble. The credit markets say that, unless there is a big slowdown in consumer spending, the strength of export demand and capital spending will just bring inflation.

The market has been hoping for a tightening at least since the meeting of the Fed's Open Market Committee on May 17. But matters did not become plain until last week. On Tuesday and Wednesday, the Fed's trading desk made a couple of two-day matched sale/purchase agreements which drained reserves enough to push the funds rate up to 7½ per cent on the day of the GNP figures. The rate has since slipped back into what the market believes is a band of 7¼ per cent to 7⅜ per cent.

Whether the Fed will raise its discount rate is still open to question. Some people in the market spent the Memorial Day weekend with exactly this on their minds. But the general feeling seems to be that the Fed did not enjoy the grumbling that its last discount rate increase set off the crash and will avoid such dramatic steps.

But money-market operations should still leave ample scope for pushing up interest rates to dampen economic growth should the signals from the economy remain strong. This Friday's unemployment report could be just such a signal. "It is significant," says Mr Philip Braverman of Irving Securities, "that the Fed chose to firm now, instead of waiting until the employment report next Friday. This suggests that, if the slate of economic data reported next month continues strong, the Fed will tighten further." Mr Braverman believes that this may mean that market yields will move higher, possibly to above 9.6 per cent at the long end.



For investors, such yields are beginning to hold a certain promise. US credit markets, having long ago given up hope that the stock market crash would bring in a recession, are now trying to precipitate one themselves. The credit markets at present really do believe that US consumer demand must be choked off and are reaching for the level of interest rates to do the job. "The most likely culmination of the uptrend in yields will be a recession some time next year, brought about by yields in the 10 per cent to 11 per cent range," Mr Braverman writes.

Since a recession would probably bring a sharp drop in yields and a sharp rise in prices, Mr Braverman is already advising his friends and clients to make "some small positioning soon, especially once the current uptrend in yields comes to a temporary halt."

* * *

The following are the chief economic indicators due for release this week, along with the median market forecasts as surveyed by Money Market Services of Redwood City, California

- New home sales in April, due on Tuesday: These are expected to be unchanged, though the 27 forecasters range in their estimates from a decline of 0.8 per cent to a rise of 0.3 per cent.
- New factory orders in April due on Wednesday. These are expected to be up 0.6 per cent.
- Employment and non-farm payrolls in April, due on Friday. Unemployment is expected to hold steady at March's low rate of 5.4 per cent though some estimates go to 5.3 per cent. Non-farm employment is expected to jump 222,000.
- Leading indicators in April, due on Friday. These are expected to be up just 0.2 per cent.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.27	7.13	6.93	7.78	6.27
Three-month Treasury bills	6.51	6.26	5.99	7.17	5.03
Six-month Treasury bills	6.84	6.59	6.35	7.65	5.41
Three-month prime CDs	7.50	7.32	7.10	8.28	6.67
30-day Commercial Paper	7.33	7.05	6.85	7.62	6.43
90-day Commercial Paper	7.42	7.20	6.95	8.05	6.47

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	96¾	-⅛	9.05	9.02	8.67
10-year Treasury	99¼	-⅛	9.40	9.45	9.03
30-year Treasury	98	+⅛	9.33	9.35	9.11
New "AA" Financial	NA	NA	10.15	10.15	9.88
New "AA" Long utility	NA	NA	10.50	10.50	10.25
New "AA" Long industrial	NA	NA	10.38	10.38	10.13

Source: Salomon Bros (estimates).

Money supply: In the week ended May 16, M1 fell by $1.5bn to $768.2bn.

NRI TOKYO BOND INDEX

December 1985 = 100	26/5/88	Average yield† (%)	Last week	12 wks ago	26 wks ago
Overall	143.79	4.49	143.68	142.76	138.40
Government Bonds	144.45	4.39	144.31	143.50	139.52
Municipal Bonds	145.28	4.87	145.28	144.33	139.12
Govt.-guaranteed Bonds	146.76	4.85	146.71	145.78	140.07
Bank Debentures	137.87	4.51	137.74	136.89	133.91
Corporate Bonds	143.64	5.33	143.58	142.12	136.72
Yen-denom. Foreign Bonds	144.64	4.48	144.45	142.42	138.70
Government 10-year†	—	4.97	5.04	4.88	5.16

† Estimated par yield

Source: Nomura Research Institute

ISRAELI BANKING

Bank Hapoalim returns to the Euromarket

BANK HAPOALIM, the largest Israeli commercial bank, has become the first Israeli financial institution to return to the Euromarket since the country's bank shares crisis of October 1983. Others are expected to follow suit in the coming months.

The Israeli bank is seeking to raise $50m through the issue in London of a seven-year, floating-rate bond carrying an interest rate of 0.25 per cent above the six-month London interbank offered rate. An early redemption option, after five years, is included.

The prospectus for the bearer notes, issued by Hapoalim International NV, a wholly-owned subsidiary based in the Netherlands Antilles, was issued in London on Friday. Guaranteed by the bank itself, the notes will go on sale in four weeks time.

A bank official said that the funds would be used for the financing of capital equipment imports, in line with strict Bank of Israel directives on foreign borrowing. "It is a very logical move, which will enable us to increase the amount of credit we can provide for this purpose, and improve the terms," he said.

After-tax profits at the bank rose by 22 per cent in the first quarter of 1988 over the same period last year to $27.3m, for a return on equity of 11.4 per cent. The pre-tax operating profit of $71.9m showed an even steeper jump of 63.4 per cent.

Andrew Whitley

UK GILTS

Sterling holds key to future direction

THERE ARE two interpretations of the behaviour of the gilt-edged securities market over the past weeks: it is either demonstrating remarkable stability in the face of adversity or it is going nowhere.

Like most things in life, the true state of affairs is probably a mixture of both. But to justify the former proposition one has to revert to negative reasons – principally the stock shortage argument – while the latter proposition seems to be borne out by anecdotal and technical evidence.

Investors will buy gilts if they are issued by the Bank of England but there is little willingness to bid them off each other. They made the down payment on the Bank's offering of £800m partly-paid short gilts last Wednesday, but not many were prepared to pay above the asking price.

The extraordinary performance of short-dated index-linked maturities suggests that the Bank should have little difficulty in finding buyers for the tender of £400m 2 per cent 1994 partly-paid stock to be held on Thursday. The movement, for example, in the price of index-linked 1996s – which, on a "clean" basis has risen in a virtually straight line from a low of 120 in late October last year to around 133 currently – suggests a degree of hunger for short index-linked stock unseen in other areas of the conventional market.

The market's resolute lack of response to just about any piece of economic data has left analysts and commentators wondering whether, in the words of one trader/salesman of long standing, "bonds are for the birds." Mr Malcolm Roberts, UK economist of Salomon Brothers, noted the stability (entropy?) of the long end of the gilts market. The 20-day annualised volatility of the long gilt contract, which averaged 11.7 per cent in the fourth quarter of last year, fell to 9.9 per cent in the first quarter of this year and to 4.83 per cent last week.

Many analysts believe that the gilts market will stage a breakout from its currently narrow trading range. Experience, augmented by hope, suggests that this will happen sooner or later. If timing is not known then the view that sterling holds the key to the future direction of the market commands general assent.

The pound's strength against the D-Mark after Friday's release of another terrible set of trade figures was demonstration enough, if it were needed, that the international money managers' affair with sterling is far from spent. Whether or not their ardour will force another cut in interest rates is, however, another matter.

In the current international environment, where the Federal Reserve, the US central bank, is lending support to the dollar by another apparent tightening of the Fed funds rate, there appears little likelihood of another imminent collapse of the US currency. Under that scenario, the outlook for the pound is either stability at current levels or a slight appreciation against the D-Mark.

If that is the case, then there does not appear to be much chance for gilts, especially conventionals, to move ahead. This is on the principle that nothing will come of nothing; or, on the other hand, if the pound's strength forces another cut in rates then there is no reason to suppose that the long end of the market will react in any other way than it has done so on the past three occasions. . .badly.

Sterling should remain strong because sterling instruments still offer a real (though diminishing) interest premium over other major currencies and because the currency risk appears to be underwritten by the anti-inflationary stance of the authorities.

Do either of these factors bear any relationship to the current account? In a world where no-one really wants to be a net buyer of US financial assets until they see the colour of Mr Bush's or Mr Dukakis's money, there is a distinct possibility that sterling could remain one of the dominant flavours of the year.

It is accepted wisdom in many quarters of the gilts market that Britain's mounting current account deficit will be the undoing of sterling. Base rates will be hiked to defend the currency; the long end of the market will then be convinced of the Government's determination to fight inflation and this will happen at the same time as there is real evidence of a stock shortage. Prices for long gilts will rise. Well, that's the hope, at least.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid	Offer	Chg on day	Chg on week	Yield
U.S. DOLLAR STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GUILDER STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CANADIAN DOLLAR STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIAN DOLLAR STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STERLING STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WARRANTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. [illegible]

FLOATING RATE NOTES: US dollars unless indicated. [illegible]

CONVERTIBLE BONDS: US Dollars unless indicated. [illegible] Closing prices on MAY 27

WARRANTS: Equity warrant prem = exercise premium over current share price. [illegible]

UK COMPANY NEWS

Nestlé expected to increase Rowntree offer

BY DAVID WALLER

THE three-cornered battle over the future of Rowntree enters a crucial phase this week with all eyes focussed on Nestlé, the Swiss foods group which holds 16 per cent of the York-based chocolate company's shares.

Nestlé is widely expected to increase its original £2.1bn cash bid to a level high enough to frustrate the ambitions of Jacobs Suchard, its arch rival in European chocolate and coffee markets which launched its own £2.32bn bid last Thursday.

Quite when Nestlé will bid is a matter of much speculation, but it is likely to be on or before next Monday, the first closing date for its original offer. Before then, Nestlé cannot increase its holding to more than 29.9 per cent.

Of equal interest is the price Nestlé will be prepared to pay. It would hope to dash Suchard's chances of success with one "knock-out" blow, but would not wish to pay too generously.

Rowntree's shares surged to close at £10.29 last week, 79p above Suchard's offer and 139p above Nestlé's original 890p offer which valued Rowntree at 3½ times its book value at the end of last year.

At Friday's price, the shares stand on a multiple of over 20 times current year earnings, based on pre-tax profits of £135m contained in Rowntree's defence document.

Both the Swiss companies would like to win the recommendation of the Rowntree board, but are unlikely to press for talks in the belief that their earlier approaches leave it up to Rowntree to contact them.

See Page 20

Crescent Japan directors urge unitisation rejection

Crescent Japan, the beleagued investment trust, sent shareholders at the weekend detailed proposals under which it would be turned into a unit trust, but the board reiterated its strong opposition to such a development, writes Martin Dickson.

Crescent has been under attack from an American-based concert party, holding 21 per cent of its shares, which wants it to take the unitisation route. At an extraordinary meeting in April, the concert party and its supporters won sufficient votes to force the board to bring forward last weekend's package.

But in an accompanying letter to shareholders, Mr Alan McInroy, Crescent's chairman, urged that the proposal be rejected, arguing that "unitisation (as proposed by the US concert party) is nothing more than a device to enable the US concert party to exploit to the limit the unusually high discount which existed at the time their investment was made."

He said the outcome of the battle would be an important watershed for the investment trust sector and said major institutions should take a lead in "adopting an investment policy which emphasises the longer term interests of shareholders above any apparent attractions in short-term speculative profits, particularly when the quality of management in the target company is sound."

The battle will reach a climax at a shareholders' meeting on June 20. But Crescent pointed out yesterday that the proposals require a 75 per cent majority of votes cast, and if the voting pattern at the April meeting were repeated, the unitisation plan would fail.

AG Stanley forecasts doubling of profits

By Martin Dickson

AG Stanley, the Fads and Decor 8 DIY chain facing a £111m bid from Ward White, is forecasting a doubling of pre-tax profits and a 50 per cent increase in dividends for 1988.

In a defence document issued at the weekend, the company forecast that pre-tax profits would be not less than £10.75m, compared to £5.28m last year, while total dividends for 1988 would be 5.625p.

But the forecast drew immediate fire from Mr Philip Birch, chairman of Ward White, who said it was not clear what tax charge the company was expecting to pay, nor how much of its profits came from manufacturing or retailing.

Stanley said the forecast profits did not include any contribution from asset disposals and the figures were "an impressive first indication of what the newly formed group of three chain stores can do."

The dividend would be covered approximately three times by the forecast level of 1988 profits and Stanley said it could confirm to Ward White that it could meet its tax, dividend, borrowings and capital expenditure commitments while progressively reducing gearing.

Jones Group acquisition

The Jones Group, manufacturing, shipping, distribution and engineering concern, has acquired Hawker Siddeley Water Engineering from Hawker Siddeley Group for I£2.6m (£2.19m) cash.

HSWE operates mainly in the waste water treatment field and it is planned to expand significantly its operations in the water treatment and industrial areas. In 1987 it achieved pre-tax profits of I£575,000 on turnover of I£9.6m. At the year-end its net tangible assets were I£200,000.

Alice Rawsthorn looks at the problems facing Dawson International

Weak dollar casts a cloud over knitwear

DAWSON INTERNATIONAL is a victim of economic events outside its control.

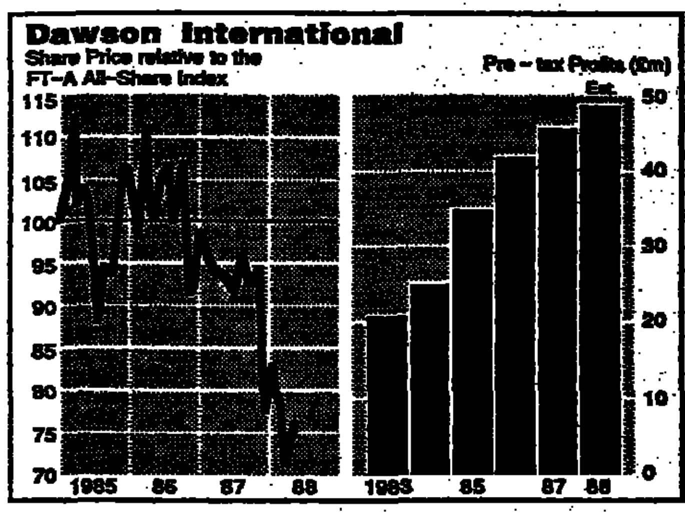
For years it has expended effort and energy on selling the luxury knitwear made in its Scottish factories all over the world. It has emerged as one of the most successful exporters in the UK, with the highest profit margins and best return on capital employed of all the major textile groups.

Yet the decline of the US dollar not only casts a cloud over Dawson's export achievements but on its income from its US interests. Moreover, the group is threatened by soaring raw material prices and a shortage of the cashmere on which its knitwear factories and spinning mills depend.

As a result, analysts have reduced their profit projections for the last financial year to April. Barclays de Zoete Wedd expects to see pre-tax profits of £49m — on sales of £376m — when Dawson's 1987/88 results are unveiled in a fortnight, compared with £53m six months ago. Dawson's share price halved in the wake of the stock market crash and has struggled ever since.

To Mr Ronald Miller, chairman and chief executive, there are two choices for the group: "The easiest would be to stop developing the business, to save on capital expenditure and to bump up our profits. Instead, we are continuing with our development: because, in the long term, it is the only sensible thing to do."

Dawson is best known for its luxury woollens — Pringle, Braemar, Ballantyne and McGeorge — and for its dominant position within cashmere and lambswool processing. But since the late 1970s it has moved further afield into other areas of textiles. It is now the largest manufacturer of fur fabric and acrylic velvets in the UK and leads the thermal underwear and shower curtain markets in the US.



The direct effect of the dollar's decline will be to depress the translated profits from these US subsidiaries, which provide almost a third of turnover: Morgan, the thermal underwear manufacturer acquired in 1984, and API, a shower curtain company bought two years ago.

Dawson accepts there is little it can do to lessen the effect of the dollar on its US interests. But it is determined to do all it can to counter its impact on the knitwear businesses that muster a fifth of sales.

A weak dollar hits Dawson's knitwear in two ways. First, it makes exports to the US more difficult or — if the company decides not to increase prices — less profitable. Second, it deters US tourists from holidaying in Europe, and thus from snapping up Dawson's luxury woollens as souvenirs. The group has already detected a downturn in demand for the autumn from shops in London.

Dawson can rely on continued growth from exports to its main markets of continental Europe and Japan to compensate for its difficulties in the US. It is also taking steps to protect US sales by moving even further upmarket into cashmere and very fine lambswool and by investing in design.

The knitwear division is now working with Oscar de la Renta — the US designer who is the darling of Mrs Nancy Reagan and the "ladies who lunch" set — on a cashmere collection and with Alistair Blair, the British designer, on a range for McGeorge.

Yet the rise in raw material costs — the prices of cashmere and fine wools have risen by 50 per cent in the past year — will affect every market. This autumn prices to the US should increase by 50 per cent and to the UK by 20 per cent.

Moreover, Dawson has been forced to pay penalties — which it can not pass on to its own customers — in order to secure the quality and quantity of cashmere it needs from the disrupted Chinese market.

The group is trying to offset the impact of such steep price rises by improving productivity, which should rise by at least 5 per cent this year. It has consistently invested in new technology for its knitwear plants and has also built new factories. McGeorge recently moved into a new £3.5m unit. Mr Miller is emphatic that the investment will continue.

Dawson is also taking steps to secure cashmere supplies for the future by investing in experiments to develop new sources of the fibre in Australia and New Zealand.

Elsewhere, Dawson is ploughing ahead with its expansion plans. It plans to invest £12m over the next year in one project alone: the construction of a new factory to produce Dralon, as a flame resistant upholstery fabric, in order to take advantage of the Government's new regulations on furniture flammability.

The group is also committed to acquisition. Two years ago it pursued the grand design of creating a formidable force in Scottish textiles by mounting an agreed bid for Coats Patons. But Dawson was "gazumped" by a counter bid from Vantona Viyella.

The Coats bid is now the subject of a legal case and Dawson has set its sights on smaller, strategic acquisitions. It is searching for specialist textile businesses to buy, in continental Europe or the US.

The weakness of Dawson's share price — coupled with the stock market's mania for "brands" in the wake of Rowntree — has inevitably aroused bid speculation. Coats Viyella, despite its denials, has bandied about as the likeliest predator.

Mr Miller is well aware that Dawson — despite its high margins and healthy returns — could be vulnerable. The group has already taken the defensive step of seeking shareholders permission to buy its own shares.

Yet Dawson has an inestimable advantage over most of the other companies that have seen their shares tumble since the crash. For it has a loyal band of Scottish shareholders which would almost certainly look askance at an offer from south of the Border: whether Swiss, or Sassenach.

Siebe replaces top pair at its new US subsidiary

Siebe, the controls, engineering and safety equipment group, has replaced the president and a senior vice president of Barber-Colman, the US environmental controls company which it bought for £138m last September, writes Clay Harris.

Mr William Carroll, who became president shortly after Siebe took over, and Mr John Mink, vice president for administration, left the company last month.

Confirming the departures, Mr Barrie Stephens, Siebe chief executive, said "We are in the middle of effecting appropriate cost reductions in overhead content coupled with the re-allocation of executives from our corporate office into operating units as appropriate."

The executives' replacement was "completely in line with Siebe's overall strategy," Mr Stephens said.

In Rockford, Illinois, Mr Carroll said he agreed with the cost-reduction programme but felt that he did not have sufficient control over its implementation.

His successor at Barber-Colman, Mr Glenn McMillin, said the re-organisation so far had reduced corporate staff by 20.

Maxwell buys 67% of French printer

Maxwell Communications Corporation announced that it had acquired majority control of Francois Imprimerie, the privately-owned French gravure printer.

The transaction, entirely in cash, gives Maxwell 67 per cent of the company's capital, while the remaining 33 per cent is retained by the Francois family, which will continue to manage the business. Maxwell officials declined to give a price.

Francois Imprimerie prints sections of magazines such as Paris Match and Tele 7 Jours, the French TV journal.

Fergabrook back in black

Fergabrook Group, distributor of consumer merchandise, returned to profit in 1987 with a full-year total of £541,000 against losses last time of £4.55m. The improvement was reduced by substantial losses in the cosmetics and toiletries business, the future of which is being reviewed.

The result was achieved on turnover much reduced at £23.1m (£54.65m). However the company said that turnover of continuing businesses almost doubled.

Earnings per 20p share for this USM company were 1.82p (losses 15.6p). A dividend is not being recommended because of the negative balance on the revenue reserves. The board is proposing a capital reconstruction involving a reduction in the share capital and share premium account.

Gearing fell from more than 200 per cent at the beginning of the year to less than 80 per cent at the end.

The directors pointed out that interim results would reflect a number of additional costs including rationalisation and reorganisation costs in the cosmetics and toiletries and security divisions.

The performance of the security and electrical division had been disappointing and there was a trading loss. The present year was expected to benefit from new products.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Charles Church, Royal Trust, TSB Channel Islands

Finals- Biomechanics, De la Rue, El Oro Mining & Exploration, Exploration Co., Hoskyns, Ramco Oil Services

FUTURE DATES

Interims-

Allied Textile	July 27
Anglia Secure Homes	June 2
Burns Anderson	June 23
Carr's Milling Inds	June 9
Fleming American Inv Tst	June 1
Hunterprint Group	June 7
Lovell (Y) Hldgs	June 20
Mecca Leisure Group	June 7
Radiant	June 7
Willoughby's Consd	June 15

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
* Argyll Group	June 25	Final 6.0	* Lonrho	June 4	Interim due
BET	June 18	Final 8.8	Mecca Leis.	June 1	Final 2.15
BPB Inds.	June 25	Final 8.0	MEPC	June 8	Interim 5.25
* BT	June 9	Final 6.1	MK Electric	June 24	Final 8.2
* Beecham	June 8	Final 7.8	Magnet Sthns.	June 17	Final 3.8
Berisford SW	June 16	Interim 4.0	M. Hollins	June 23	Final 4.6
Bodyshop	June 3	Interim due	* Metal Box	June 21	Final 4.05
* Brit Gas	June 16	Final 4.0	* Meyer Int.	June 21	Final 4.95
Brit Land	June 10	Final due	* Norcros	June 7	Final 9
Cable & Wire.	June 24	Final 3.5	* Nthn Foods	June 14	Final 4.75
Chloride	June 15	Final 1.9	Pilkington	June 10	Final 15.5
* De la Rue	June 2	Final 9.25	* Racal	June 28	Final 2.495
* Dwek	June 23	Final 0.5	Reed Int.	June 3	Final 8.75
* Dunhill	June 3	Final 4.5	Rothmans	June 28	Final 6.2
ERF	June 24	Final due	* Sketchley	June 2	Final 10
Gt. Portland	June 10	Final 4.8	Smith New Ct.	June 4	Final 8
Jhon Matthey	June 15	Final 3.5	Stead & Simp.	June 25	Final 2.7
Leigh Ints.	June 24	Final 2.75	* Storehouse	June 2	Final 8.3

UK COMPANY NEWS

Philip Coggan previews National Telephones' offer

Maintaining a service

ITS NAME may make it sound like another in the long line of privatisations, but National Telephones Group, which is set to join the stock market via an offer-for-sale next month, has nothing to do with the state-owned sector.

The group specialises in the supply and servicing of telephone management systems - those indispensable tools of receptionists which try to reconcile 55 callers and five lines.

When it was founded back in 1978, National Telephones was known as Small Systems Engineering and its primary business was developing add-on products for computers, particularly for Commodore.

But the group's current business has its roots in the privatisation of British Telecom, and the accompanying liberalisation of the market for telecommunications products. One of the old SSE's projects was the development of a telephone management system for use by small businesses - the London 12 - which finally received its technical approval in February 1985.

By that time, Mr Peter Chamberlain, the current chairman, who had been working as sales and operation director at BT, had been introduced to Dr Robin Bailey, now SSE's technical director, by a venture capital company. The BT man was impressed by the London 12. "At the time, there were few small, reasonably-priced telephone systems with a wide range of features" says Mr Chamberlain.

To fund the launch of the system, the company raised £1m from venture capitalists Advent and Alan Patricof Associates. Renamed as National Telephones, the group now set out to court the telecommunications distributors who were being established in the wake of BT's privatisation.

The current business has its roots in the privatisation of British Telecom and the accompanying liberalisation of the market for telecommunications products

Part of the strategy was to introduce new products - the group developed larger systems such as the London 32, 64 and 128 and the London Hotel System with features such as message waiting, baby listening and automatic alarm calls.

National Telephones had been using Ansafone to service and maintain its systems and in April 1986, Mr Chamberlain learnt that Ansafone was up for sale. The group's traditional business of renting answering machines had been in decline but it had what Mr Chamberlain describes as a "superb maintenance business".

So Mr Chamberlain agreed to acquire Ansafone for £2.2m, outbidding publicly-quoted rivals in the process, and he quickly closed down the manufacturing side and sold off the factory to pay off the overdraft.

Integrating Ansafone into the original company meant a new corporate structure. National Telephones (UK) is the sales, marketing and service division; National Telephones Systems developes the telephone systems themselves (manufacturing is sub-contracted). There is a third division which concentrates on exports.

By the last six months of the financial year to March 1986 the company was breaking even. Last year, National made pre-tax profits of £2.8m and the offer, which will raise £12m for the company, is likely to capitalise the group at between £30m and £35m.

For the future, the group hopes to build up its overseas sales - its products have been approved in China, for example - and to develop new products, such as a voice messaging system. The float is designed to help the group fund that expansion.

Colroy for main market

By Philip Coggan

Colroy, a housebuilder based in the East Midlands and the North West, is set to join the main market next month in a placing which will value the group at around £14m.

The company was founded in 1966 by Mr Philip Jacobs, the 82 year-old chairman, and grew rapidly until the property crash of 1973. After a period of losses and substantial rationalisation, the company has improved its profits and turnover substantially over the past five years.

Last year, Colroy built 272 units, with an average selling price of between £45,000 and £50,000. Around half the units were built in the North West, but that proportion is gradually being reduced and is expected to fall to a third in the near future. The company has a land bank covering four-and-a-half years construction at current rates.

Pre-tax profits have risen from £199,000 in the year to July 31, 1983 to £1.07m last year and so far this year, pre-tax profits have risen to £1.42m in the first nine months.

All of the shares being placed by Barclays de Zoete Wedd will be new and the company will use the proceeds to finance land purchases and wipe out its borrowings.

Neotronics Tech. slips at midway

Three factors affected half-year profits at Neotronics Technology, Bishops Stortford-based manufacturer of gas detection and analysis instruments and medical equipment. The pre-tax figure for the six months to March 31 fell from £1.23m to £1.16m on turnover marginally up from £5.22m to £5.29m.

Mr Paul Gotley, chairman, said that group profits had been reduced by £130,000 by the strength of the pound, particularly against the dollar. Start-up losses of £76,000 were incurred in respect of the German marketing subsidiary and there was disruption caused by the move to a new building and the restructuring of the original premises.

Earnings per 5p share were 2.8p (3.9p) and a first interim dividend of 0.6p has been declared.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Classic Thoroughbreds (Section: Leisure).

Freeman Group (Buildings).

Wardell Roberts (Foods).

COMPANY NEWS IN BRIEF

CHAMBERLIN & HILL (foundries and electrical engineering): Pre-tax profits £1.23m (£580,000) for year to March 31 1988 on turnover £13.11m (£11.69m). Final dividend 4p for total 6p (4p). Earnings per share 23.61p (11.55p) and extraordinary credit £1.12m this time for profit on sale of freehold property.

CRATON LODGE & KNIGHT Group (USM-quoted marketingconsultant): Interim dividend 0.7p (same). Turnover for six months to end May £2.46m (£1.98m) and taxable profits £73,000 (£180,000). Earnings per share 0.73p (1.98p).

DALE GROUP has acquired K S Hydraulics for £156,000, to be satisfied by the issue of 156,000 new ordinary. In 1987 it achieved pre-tax profits of £48,186 on turnover of £1.46m. At the year-end net assets were £118,886.

DAVENPORT KNITWEAR (knitwear manufacturer): Final dividend 8.08p (same) for 1987. Turnover £6.74m (£7.24m) and pre-tax profit £1.16m (£1.34m). Tax £409,000 (£468,000). Earnings per 10p share 43.76p (49.06p).

ERSKINE HOUSE, fast growing office equipment supplier, has acquired Omega Business Machines, a Manchester-based supplier and servicing operation for Minolta copiers and Canon and Plessey facsimile machines. Consideration is a sum of up to £1m, payable in cash in three tranches, and dependent on the profit performance of Omega in the period to March 31 1989.

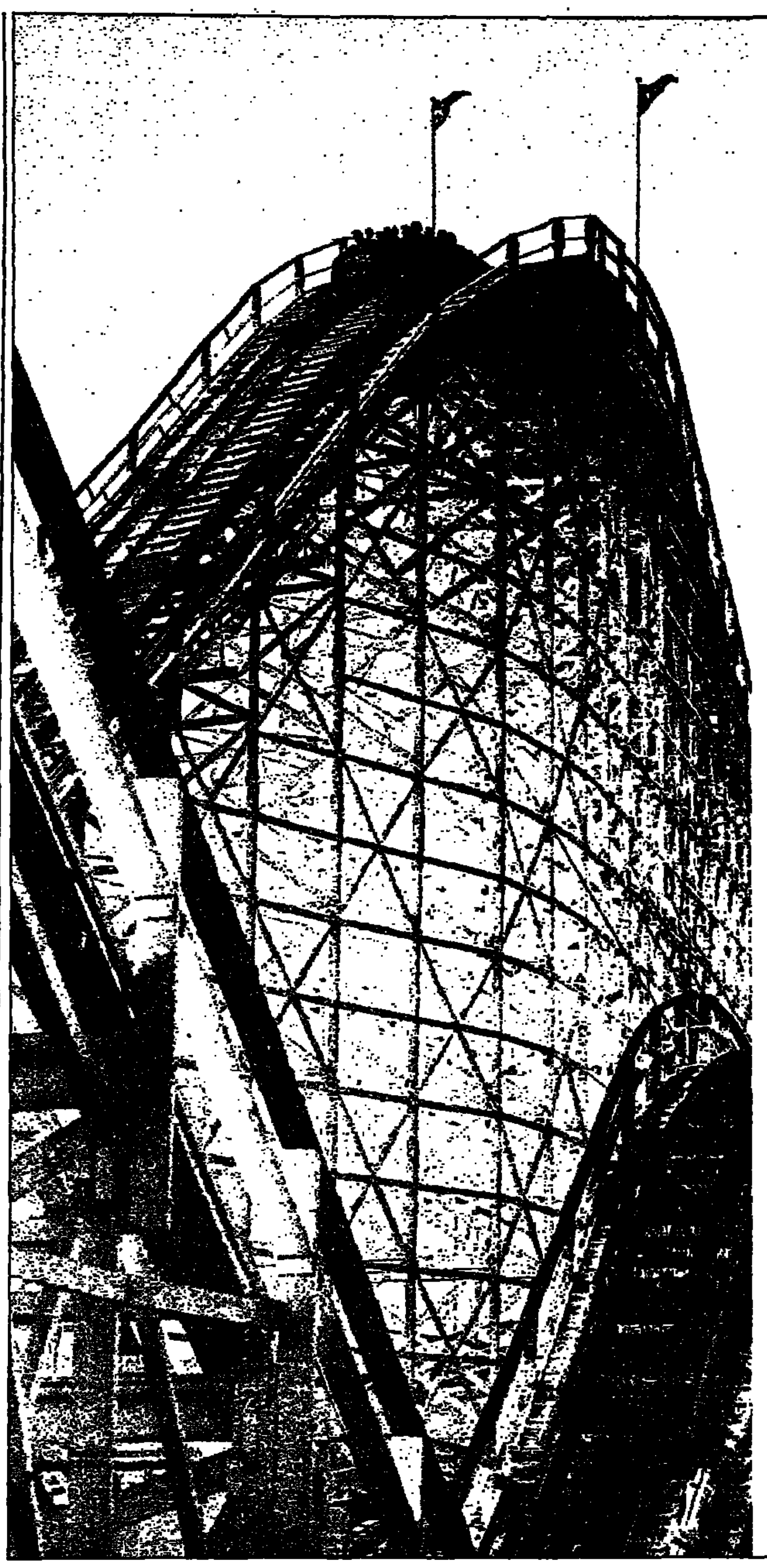
FAR EAST Resources incurred a group operating loss of £240,941 in 1987. There was no turnover. Interest income was £78,902, leaving a pre-tax loss of £162,039. The loss per share was 1.62p.

SCANTRONIC HOLDINGS: Acceptances have been received in respect of about 98 per cent of the 9.23m new ordinary offered by way of rights at 90p a share. The balance of 223,715 shares has been sold in the market.

SOUTHWEST RESOURCES made profits of £525,000 (£923,000) in year to March 31 1988. Last year included £846,000 from a North Sea disposal. Turnover £3.53m (£6.5m). Earnings per 40p share 0.83p (1.77p). This USM company's largest shareholder and former parent, Dominion International Group, has reduced holding to 43 per cent (59.3 per cent).

FINANCIAL TIMES STOCK INDICES

	May. 27	May. 26	May. 25	May. 24	May. 23	May. 20	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.91	90.07	90.28	90.30	90.20	90.12	91.43	86.97	127.4	49.18
Fixed Interest	98.62	98.67	98.67	98.55	98.39	98.38	98.67	94.14	105.4	50.53
Ordinary	1430.0	1430.4	1430.7	1428.3	1407.6	1415.2	1478.7	1349.0	1926.2	49.4
Gold Mines	215.7	216.0	216.9	218.4	211.2	203.1	312.5	195.4	734.7	43.5
FT-Act All Share	923.48	923.87	924.77	922.01	911.92	915.16	951.46	870.19	1238.57	61.92
FT-SE 100	1783.7	1785.3	1787.9	1782.9	1761.3	1770.2	1855.5	1694.5	2443.4	986.9

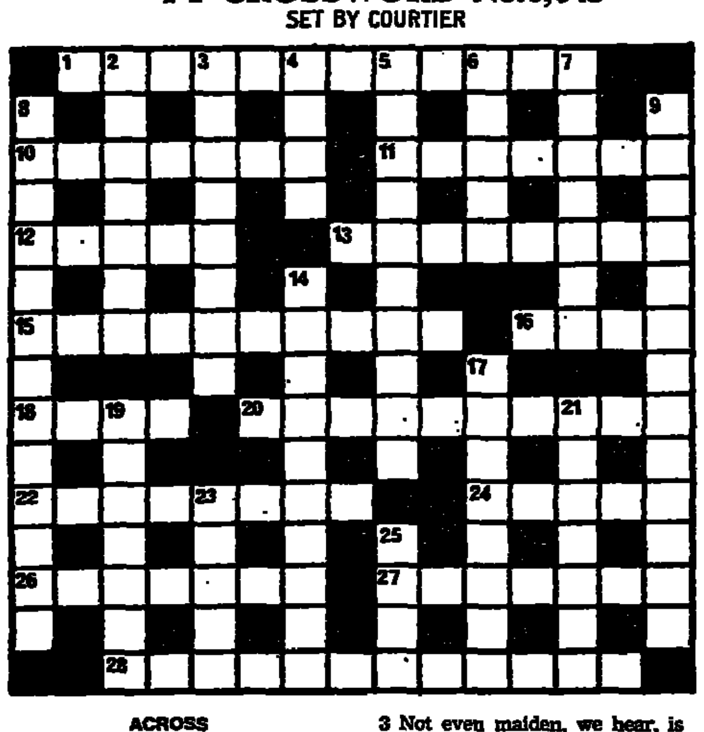


FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT CROSSWORD No.6,643

SET BY COURTIER



ACROSS

1 Conclusive action – in company perhaps (4,8)
10 English novelist loses a number and becomes an inventor (7)
11 Steed that is a North American enforcer (7)
12 Greek character died before late disturbance (5)
13 Quite ordinary colours (8)
15 Working sweaters (10)
16 Fuel order, vapour included (4)
18 It's all right to return and live in Japan (4)
20 Study a treatise or become an undertaker (10)
22 It twice confused navy birthday scene (8)
24 Susie involved in affair (5)
26 On some I manage to be objectionable (7)
27 Understand a lord-lieutenant is a braggart (4-3)
28 Dismember special rate towards certain parts (4,2,6)

DOWN

2 Eluding move to drink freely (7)
3 Not even maiden, we hear, is above a contest (8)
4 Likely to erupt before return (4)
5 Lack of experience despite my claim to adulthood (10)
6 Save the Ashes at the end of an innings (5)
7 Pay for the late shift, we hear, producing fertiliser (7)
8 Instrumental in finding the number of bodies, perhaps (4,9)
9 Here she loved, a strange way of falling (4,4,5)
14 Tram sent so selection could be made (10)
17 How robin ate another warbler? (8)
19 Between times, gamble on humour around ten (7)
21 Trial devoured with a will (7)
23 Instrument by way of roundabout centre-fold (5)
25 Ignore the captain on the green (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 11.

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FT UNIT TRUST INFORMATION SERVICE

Wardley Unit Trust Managers Ltd
99, Bishopsgate, London, EC2P 2LA 01-374 0861

America	48.9	52.2	1.6	41574
Intl Growth	62.6	66.9	0.4	41575
Income	113.5	121.2xd	3.6	41576
Japan Growth	180.6	193.2	0.1	41577
Pacific Perf.	115.7	125.8	0.4	41578
Small Co's	140.6	150.4	1.5	41579
Technology	31.8	34.0xd	0.1	41580
Australia	53.6	57.4	1.3	41581
UK Trust	154.1	164.8xd	2.8	41582
European Growth	41.1	44.0	0.1	41583
Hong Kong	25.8	27.6	1.3	41584
Intl Income	19.7	21.1	8.9	41585
S'corr & Mkts Gth	19.0	20.3xd	1.0	41586
British Winners	24.8	26.6	4.0	41587

Waverley Unit Trust Management Ltd
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.2	21.4	0.00	41588
Pacific Basin	22.6	24.2	0.1	41589
Can Balanced Gwth	42.5	45.2	0.1	41590
Global Mkt	96.1	102.1	8.6	41591
Penny Share	26.7	28.4	8.5	41592

Wellington Fund Mngrs Ltd
2 London Bridge, SE1 01-407 4404

Wellington Income	106.7	113.6	4.79	41593
Wellington Growth	165.4	176.0	1.37	41594

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	93.2	97.2	–	41595

Whittingdale Unit Trust Management Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

Gilt Fund	33.7	34.5	–	41596
Short Dtd Gilt	77.5	78.5	–	41597
U.S. Govt Bond	50.529	0.530	–	41598

Willis Financial Services Limited
PO Box 515 Austin Friars, London EC2P 2HS 01-588 7511

Aust/Wlson W'wide	155.8	165.8	3.48	40677

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity	66.9	71.2xd	6.65	41599
Growth	79.4	84.5xd	2.01	41600
Income	76.4	81.3	4.09	41601
Property Share	46.2	49.2	1.47	41602
Smaller Co's	59.7	63.6xd	1.85	41603

Wright Seligman Fund Managers Ltd
11 Sheffield St, London EC2M 7AY 01-588 0592

Growth	187.0	41.0	2.81	41604

Weekly dealing day Tuesday

The Yorkshire Unit Trust Managers Ltd
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Yorkshire General	59.49	63.24	2.75	41605

Albany Life Assurance Co Ltd—Contd.

Multiple Inv Acc(z)	592.5	622.5	–	41703
UK Smllr Co's Fd Acc(z)	100.7	105.9	–	41704
Pension Funds				
Brit Blue Chip Acc(z)	117.4	123.5	–	41705
Eq Pen Fd Acc(z)	1595.1	1679.0	–	41706
Euro Fd Acc(z)	224.0	235.8	–	41707
Fixed Int. Acc (z)	669.8	705.0	–	41708
Gt Money Pn Acc(z)	379.6	399.5	–	41709
High Income Fd Acc(z)	106.1	111.6	–	41710
Intl Man Fd(z)	492.5	518.3	–	41711
Jap Pen Fd Acc(z)	431.6	454.3	–	41712
N.Am Pn Fd Acc(z)	162.9	171.4	–	41713
Pac Basin Fd Acc(z)	121.5	127.7	–	41714
Property(z)	413.2	434.9	–	41715
UK Smllr Co's Fd Acc(z)	183.4	186.7	–	41716
Mltple Inv Pens Acc(z)	1135.0	1194.7	–	41717
Dealer Funds				
Prof. Pen Fd	80.2	84.4	–	41718
YRA Strategy	106.7	112.3	–	41719
Laughton Dollar (SE)	131.9	138.8	–	41720
JD Ward Life Acc	155.5	163.6	–	41721
JD Ward Pens Acc	185.2	194.9	–	41722

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep. Acc	243.8	256.7	–	41723
Equity Acc	718.4	756.3	–	41724
Property Acc	414.6	436.5	–	41725
Far East Acc	170.4	179.4	–	41726
European Acc	17.1	18.1	–	41727
Managed Acc	570.0	600.1	–	41728
Managed Cap	333.3	350.9	–	41729
O'seas Earnings Acc	473.5	498.5	–	41730
Gilt EdgedAcc	307.0	323.2	–	41731
American Equity Acc	339.0	356.9	–	41732
American Man Acc	161.6	170.2	–	41733
American Prop Acc	125.3	131.9	–	41734
Pen.F.I Dep.Cap	267.8	281.9	–	41735
Pen.F.I.Dep Acc	442.3	465.6	–	41736
Pen. Prop Cap	487.2	512.9	–	41737
Pen. Prop. Acc	888.4	935.2	–	41738
Pen. Man. Cap	710.8	748.3	–	41739
Pen. Man. Acc	1295.8	1364.0	–	41740
Pen GiltEdg. Cap	307.8	324.0	–	41741
Pen. Gilt Edg. Acc	458.9	483.1	–	41742
Pen. Eq. Cap	1155.6	1216.5	–	41743
Pen. Eq. Acc	1596.7	1680.8	–	41744
Pen. Am Eq Cap	112.7	118.7	–	41745
Pen Am Eq Acc	131.2	138.2	–	41746
Pen. Far East Cap	201.8	212.5	–	41747
Pen. Far East Acc	235.1	247.5	–	41748
Pen. Euro Cap	19.6	20.7	–	41749
Pen Euro. Acc	20.6	21.7	–	41750
Pen. B.S. Acc	474.8	499.8	–	41751
Pen. B.S Cap	295.5	310.3	–	41752
Pen. D.A.F. Acc	334.8	334.8	–	41753
Pen D.A.F Cap	233.9	233.9	–	41754
Pen Mortgage Cap	131.4	138.4	–	41755

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OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Assurance Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assce (Life & Pensions)

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Target Life Assurance Co. Ltd.—Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plnrs.) Ltd

The Analysis Group PLC

Astrelle Insurance Brokers Ltd

Atticus Financial Services Ltd

Blackstone Franks Plc

Bryan Walls & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere Investments Ltd

Clifton Financial Mgmt Ltd

Drummond Moores Plc

First Financial Services PLC

The Fitzgrade Group

Garbmore Fund Managers Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lamont & Partners Plc

M & E Financial Management Plc

March Financial Management Ltd

The Normaster Group

O'Halloran & Co/Countrywide

Old Oak Investment Services

Optimum Fund Mgmt Ltd

PSR Fund Management Ltd

The Portchester Group

Rothenbaum Financial Management Ltd

Sharp (Albert E.) & Co

Sittala Fund Managers Limited

Tattersall Investment Mngt. Ltd

Towry Law & Co

University Medical General Ltd

J. G. Ward Financial Services Ltd

Ward Consultancy

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

UK LISTED

The Bangkok Fund

Brazil Capital Services Ltd

CMI Financial Mngmt Services Ltd

Capital House Fund Mngrs. (C.I.) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd

GT Management Plc

Cartmore Fund Managers Ltd. Agents

Global Asset Management Corpn.

Group One Limited

Hambros Fd Mgrs (CI) Ltd

Hill Samuel Investment Services Intl SA

Ivory & Sime (Guernsey) Ltd

Jardine Fleming & Co Ltd

Lloyds Bank (CI) U/T Mgrs.

Minerals, Oils Res. Shrs. Fd. Inc.

Royal Trust Fund Mngt (CI) Ltd

Save & Prosper International

The Slam Fund (Cayman) Ltd

TSB Trust Funds (CI)

Target International (Europe) Ltd

Framlington Overseas Fund Mngt. Ltd

Foreign & Colonial Management Ltd

Equity & Law International Fund Mgs Ltd

Guinness Flight International

Baillie Gifford (Guernsey) Ltd

Rothschild Asset Management

Gartmore International Management Ltd

Hasard International Ltd

Eurolife Assurance Group

Finance International Ltd

Equity & Law International Life Assur Co Ltd

Eagle Star International

CMI Insurance Co Ltd

Albany International Assurance Ltd

Royal Life Intl. Ltd

Royal Bank of Canada Funds

Sun Alliance International Life

Providence Capital International Ltd

NEL Britannia Int Ass Ltd

PFC International Portfolio Fd Mgt Ltd

Prudential Intl Financial Services Ltd

Thornton Investment Management Ltd

Tyndall International (Jersey) Ltd

Warburg Investment Management Jersey Ltd

Tyndall Management (Bermuda) Limited

OFFSHORE INSURANCES

OFFSHORE OTHERS

Abbey Global Investment Fund

Adams & Neville Fund Mngt (Guernsey) Ltd

Alpha Investment

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Five to Fifteen Years

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
1,100	Treas 12½pc 1993‡‡	113⅞	9 17	19 03		14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	92	7 86	8.2		15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	118	9.24	19 10		23May 23Nov	1394
–	Treas 8¼pc 1994	97	9 16	–			–
600	Treas 14½pc 1994‡‡	122	9 24	25.1		1Sep 1Mar	1297
1,100	Exch 13½pc 1994	118¼	9.35	21.3		27Oct 27Apr	1267
1,400	Treas 10pc Ln. 1994‡‡	103¾	9 19	04 04		9Dec 9Jun	1284
1,550	Exch 12½pc 1994	124¼	9 39	18 1		22Feb 22Aug	1262
1,600	Treas 9pc 1994‡‡	99	9.14	11.4		17May 17Nov	1345
2,350	Treas 12pc 1995	112	9 44	21.12		25Jan 25Jul	1294
214	Exch 3pc Gas 90–95	80	6 65	25 9		1Nov 1May	1271
2,100	Exch. 10¼pc 1995	104	9.38	15 12		21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	117	9.43	8.4		15May 15Nov	1298
900	Treas. 14pc '96	123	9.60	15 12		22Jul 22Jan	1305
750	Treas. 9pc 1992–96‡‡	99	9.16	8 2		15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	130	9.58	28.9		3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	120½	9.51	8 4		15Nov 15May	1268
41	Redemption 3pc 1986–96	84	5.41	24.2		1Apr 1Oct	1278
1,109	Conversion 10pc 1996	102	9 47	8 4		15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	121	9.59	16.12		22Jul 22Jan	1302
3,100	Exch 10½pc 1997	105	9.50	15.1		21Aug 21Feb	1253
2,600	Treas 8¾pc 1997‡‡	96	9.36	25.1		1Mar 1Sep	1341
1,000	Tr 8¾pc Ln "C" 1997 ‡‡	96	9.37	–		1Mar 1Sep	4777
1,000	Exch 15pc 1997	131	9.72	21.3		27Apr 27Oct	1259
2,850	Exch. 9¾pc 1998	101	9 50	14.12		19Jul 19Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	85	9.00	25.9		1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	137¼	9.69	22 2		30Mar 30Sep	1308
2,500	Exch 12pc 1998	115½	9 60	13 03		20Mar 20Nov	1259
1,250	Treas 9½pc 1999‡‡	100	9 35	9 12		15Jul 15Jan	1347
2,400	Exch 12¼pc 1999	117	9.60	18 2		26Sep 26Mar	1264
1,252	Treas 10½pc 1999	106	9.51	12 4		19May 19Nov	1268
1,548	Conversion 10¼pc 1999	105	9 49	16.10		22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	94	9.31	22 12		28Jan 28Jul	1339
1,404	Conversion 9pc 2000‡‡	97½	9 33	26 1		3Sep 3Mar	1244
1,817	Treas 13pc 2000	123	9.65	8.12		14Jan 14Jul	1299
1,050	Treas 10pc 2001	104	9.43	20 1		26Aug 26Feb	1280
1,250	Treas. 14pc '98–01	126	9.71	16.10		22Nov 22May	1306
802	Conversion 9¾pc 2001	102¾	9.40	4 1		10Feb 10Aug	1248
1,600	Exch. 12pc '99–02	115½	9.62	16.12		22Jul 22Jan	1261
716	Conversion 10pc 2002	104¾	9.39	4.9		11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	102⅝	9.37	21.1		27Feb 27Aug	1349
1,300	Exch. 9pc 2002	97¼	9.31	12.4		19May 19Nov	1272

Over Fifteen Years

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
1,800	Treas. 13¾pc 2000–03	128½	9.65	21.12		25Jan 25Jul	1303
1,000	Treas 10pc 2003	105¼	9.33	1 2		8Mar 8Sep	1281
1,900	Treas 11½pc 2001–04	114	9.52	11 2		19Sep 19Mar	1290
900	Treas. 10pc 2004	105	9.30	11.4		18Nov 18May	1282
443	Funding 3½pc '99–04	58	8.26	8 12		14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	103	9.26	21.3		25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	101	9 25	11.9		18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	110	9.25	12.2		20Mar 20Sep	1251
2,200	Treas. 12½pc 2003–05	124⅝	9 42	15.10		21May 21Nov	1295
1,800	Treas 8pc 2002–06‡‡	89⅝	9.16	1 9		5Apr 5Oct	1334
359	Conversion 9¾pc 2006	104¼	9 24	8 4		15May 15Nov	1349
3,150	Treas. 11¾pc 2003–07	118¼	9.40	16 12		22Jul 22Jan	1293
1,250	Treas 8½pc 2007 ‡‡	94½	9 10	10.12		16Jan 16Jul	1339
1,250	Treas. 13½pc '04–08	133	9.36	18.2		26Sep 26Mar	1301
1,000	Treas. 9pc 2008 ‡‡	99	9.07	7 9		13Apr 13Oct	1343
1,000	Treas 8pc 2009	90	9.05	19.8		25Mar 25Sep	1336
369	Conv 9pc Ln 2011 ‡‡	99	9.08	7.12		12Jan 12Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	66	8.83	2.2		10Mar 10Sep	1330

BRITISH FUNDS—Contd

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1987.102.4 and for April 1988:105.8

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
50	African Dv Bk 11¼ Ln 2010	104	10	3 12		4Jan 4Jun	–
100	Asian Dev Bk 10¼pcLn2009	101	10	19 2		24Mar 24Sep	–
100	Australia 13½pc 2010	126	10	23 12		28Jan 28Jul	–
100	Do. 11¾pcLn2015	109	10	24 3		25Apr 26Oct	–
75	Euro Inv Bk 11pc Ln 2002	107	10	23 2		23Mar 23Sep	–
100	Do 10¼pc2004	102	10	22 4		22Nov 22May	–
75	Inter-Am Dev Bk 12½pc 2003	117	10	7 12		8Jan 8Jul	–
175	Do 9¾pcLn 2015	95	10	13 4		15May 15Nov	–
75	Malaysia 10¾pcLn 2009	95	11	23 12		31Jan 31Jul	–
50	Sweden 13¼pc Ln 2010	126	10	21 12		22Jan 22Jul	–
50	New Zealand 14½pc 2008	108	[illegible]	26 1		1Mar 1Sep	–

CORPORATION LOANS

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
32	Birmingham 13½pc 1989	106	9 05	20.4		20May 20Nov	3838
45	Do 11½pc 2012	110	10 32	20 4		15May 15Nov	3837
–	GLC 6¾pc 1990–92	91½	9.30	15.1		15Feb 15Aug	2647
40	Leeds 13½pc 2006	123	10 76	11.3		1Apr 1Oct	3146
5	Liverpool 3½pc Irred	33	–	1 3		1Ja Ap Ju Oc	3169
–	LCC 6¾pc '88–90	95½	8.90	10.12		10Jan 10Jul	3198
–	Do. 3pc '20 Aft	28	–	3 5		1Mar Ju S D	3197
7	Manchester 11½pc 2007	110	10.30	31.3		25Apr 25Oct	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
–	NZ 7¼pc 1988–92	92¾	9.30	1 12		1Jan 1Jul	–
–	S Rhod 2½pc Non-Assd	200	–	–		1Apr 1Oct	–
–	Do 4½pc 87–92 Assd	77	–	7 1		7Feb 7Aug	–
42	Zimbabwe Ann (£100pa)	45	–	15 3		15Apr 15Oct	4572

LOANS

Building Societies

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
20	N'wide 8½pc 20.6 88	100	7 76	16 11		20Jan 15Dec	–
20	Do 9⅝pc 11.7.88	100	7 88	7 12		6Jan 11Jul	–
20	Do. 10pc 1 8.88	100	7.92	29 12		27Jan 1Aug	–
20	Do 10⅝pc 22.8 88	100	7.93	18 1		17Feb 22Aug	–
20	Do. 10½pc 12.9.88	100	8.15	8 2		7Mar 12Sep	–
20	Do. 10¼pc 26.9.88	100	8.18	22.2		21Mar 26Sep	–
20	Do. 10⅝pc 31.10 88	100	8.37	25 3		26Apr 31Oct	–
20	Do. 9¾pc 28.11.88	100	8.56	25 4		23May 28Nov	–
20	Do. 9¼pc 28.12 88	100	8 58	20.5		21Jun 28Dec	–
20	Do. 9½pc 23.1.89	100	8.70	–		23Jan 18Jul	–
20	Do. 9½pc 20.2.89	100	8.91				–
–	Do. 9½pc 13.3.89	100	9.05				–
–	Do 9⅞pc 17.4 89	100	9.10				–
60	Do. 3⅞pcIL Ln 2021	92	4.68	4.1		30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
3	Agric Mt. 5pc '59–89	95	8.51	1 12		1Jan 1July	1532
25	Met Wtr. 3pc 'B'	47	10 97	1.2		1Mar 1Sep	3361

Financial

Amount £m	Stock	Price £	Yield Int.	Yield Red.	Last xd	Interest Due	City Line
3	3i 11¾pc Un Ln '90	103¼	9.25	7 12		11Jan 11Jul	–
15	Do 7¾pcADb89–92	93⅝	9.47	30 11		30Sep 31Dec	–
15	Do. 12½pc Un. Ln. 1992	107⅞	8.98	15.2		14Mar 14Sep	–
10	Do. 7¼pc A 1991–94	90⅞	9.92	29.2		31Mar 30Sep	–
10	Do. 9pc A 1991–94	98¼	9.17	29.2		31Mar 30Sep	–
9	Do. 8⅞pc Ln 1992–97	95⅝	9.34	1.2		31Aug 28Feb	–

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yield	Last xd	Interest Paid
7	Greek 7pc Ass.	45	3.50	7.73	3 5	1May 1Nov
4	Do 6pc 28 Stb. Ass.	45	3	6 67	1 2	1Feb 1Aug
–	Do 4pc Mixed Ass	45	2	4 44	9 4	1Apr 1Oct
–	Hung. 24 Ass.	75	2.75	3 67	3 5	1May
40	Hydro Quebec 15pc 2011	136	15 00	10 68	28 4	31May 30Nov
30	Ireland 14½pc Ln 2016	124	14.50	11 57	4 1	31Jan 31Jul
30	Ireland 9¾pc '91–96	100	9.75	9.60	1 2	1Mar 15Sep

AMERICANS

Money Market Trust Funds

Money Market Bank Accounts

Continued on next page

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,302.7	Sun Co Inc $1	30½xd	$3.00	5.4	5.5	Mr Jn Se De	4135
1,439.9	TRW Inc. 62½c	24⅞	$1.60	3.6	10.5	Ma Ju Se De	4318
3,645.7	Tenneco $5	24¼xd	$3.04	6.7	24.5	Mr Jn Se Dc	4194
6,526.6	Texaco $6.25	26¾	$3.00	6.1	28.4	Mr Je Se De	4200
4,599.3	Time Inc. $1	48½xd	$1.00	1.1	24.01	Mr Je Se De	4234
1,266.0	Transamerica $1	16⅞	$1.84	6.1	31.3	Ja Ap Ju Oc	4389
455.5	Transworld Corp $5	880p	20c	1.3	[illegible]	Fe My Au No	–
495.5	TRINOVA Corp.	14½xd	56c	2.7	9.11	Mc Je Se De	4309
4,334.5	USX $1	16⅞	$1.20	4.0	30.10	Mr Je Se De	4380
2,574.1	Utd. Technologies	19⅝xd	$1.60	4.5	19.5	Mr Jn Se Dc	4381
5,660.5	US West	28¼	$3.52	6.8	13.4	Fb My Ag Nc	–
4,116.2	Waste Management $1	18¼	36c	1.1	21.3	Ap Jly Ok Jan	4439
943.3	Whirlpool $1	13⅞	$1.10	4.4	25.01	Mr Jn Se De	–
1,769.2	Woolworth $3½	26[illegible]	$1.64	3.3	19.11	Mr Je Se De	4540

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

9.31	Norton Group 5p ...y	18	–	–	–	–	–	4674
1.55	♥Ovoca Gold IR 2p. y	49	–	–	–	–	–	1470
4.10	Pennant Grp. 2p.... y	23	d0.2	1.2	–	–	–	–
6.88	Propeller 1p .... y	55	–	–	–	–	–	3729
2.76	Publishing Hldgs.5p.. y	17	–	–	–	–	–	3735
4.72	Seacon Hldgs... .... y	68	–	–	–	–	–	3968
5.25	Stats Hldgs. 5p...... y	19	–	–	–	–	–	4625
4.63	Swanyard Studios 1p. y	3¼	–	–	–	–	–	4666
21.2	Takare.............. y	243	ß1.0	0.5	–	–	–	4647
10.2	Theme Holdings.... y	53	1.1	2.8	25.4	–	June Dec	4206
2.91	Tomorrows Leisure 20p. y	24	–	–	–	–	–	4248
10.0	Tullow Oil 10p...... y	16	–	–	–	–	–	4886
4.84	UPL Group 10p..... y	120	L2.41	2.7	23.5	–	–	4362
5.75	Uolt Group.......... y	142	R8.6	4.3	9.11	–	Jan July	4357
6.36	Video Tape Record 5p y	92	L2.3	3.3	9.5	–	–	4591

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ★★ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	68	......
Craig & Rose £1... y	678	–10
Finlay Pkg. 5p.... y	77	......
Holt (Jos) 25p.... y	£11½	......

IRISH

Nat. 9¾% 84/89..	£101	......
9pc Cap Ln 1996..	£98¼	......
Fin. 13% 97/02...	£110¾	......
Arnotts............ y	387 bid	......
CPI Hldgs.......... y	90xd	+2
Carrol Inds......... y	150	......
Hall (R. & H.)......	135	......
Helton Hldgs....... y	39	......
Irish Ropes......... y	170	......
Unidare............ y	380	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	58
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	38
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl.	34
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	40
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NETHERLANDS (continued)
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWEDEN (continued)
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

SINGAPORE
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm Prices 30 June

Quotations in cents unless marked $

[illegible]

TOKYO - Most Active Stocks
Monday, 31 May, 1988

	Stocks Traded	Closing Prices	Change on day
Onoda Cement	43.6m	999	+74
Fujikura	42.9m	1,090	+101
Japan Steel Works	34.6m	590	+53
Keisei Railway	33.7m	1,160	+110
Sumitomo Heavy Industries	27.7m	695	+20
Cosmo Oil	27m	774	+49
Japan Line	25.4m	283	+22
Citizen	22.2m	914	+19
Hazama-Gumi	21.5m	850	+22
Mitsui Mining and Smelting	16.7m	576	+23

INDICES

NEW YORK DOW JONES

	May 27	May 26	May 25	May 24	1988 High	1988 Low	Since compilation High	Since compilation Low
‡Industrials	1956.44	1966.75	1961.37	1962.53	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.18	87.31	87.52	87.42	91.25 (3/3)	86.12 (4/1)	–	–
Transport	804.66	800.33	794.65	794.95	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	170.87	170.34	169.51	169.16	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

‡Day's High 1970.84 (1981.15) Low 1944.35 (1951.28)

STANDARD AND POOR'S	May 27	May 26	May 25	May 24	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	253.42	254.63	253.76	253.51	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	292.55	294.31	293.57	293.49	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.80	22.88	22.68	22.42	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	143.66	144.23	143.77	143.53	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	290.50	292.06	290.58	290.52	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	366.66	367.29	365.73	365.16	383.41 (13/4)	331.97 (12/1)	456.28 (26/8/87)	54.87 (31/10/72)

Dow Industrial Div. Yield [illegible]

S & P Industrial div. yield [illegible]

S & P P/E ratio [illegible]

TRADING ACTIVITY
[illegible]

CANADA
TORONTO
[illegible]

NEW YORK ACTIVE STOCKS
[illegible]

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed. (u) Unavailable.

World indices
[illegible]

‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

EUROPE

Stronger dollar boosts export issues

TRADING was generally quiet on European bourses, as London and Wall Street were closed for national holidays, although the firmer dollar and gains in Tokyo boosted sentiment.

FRANKFURT took heart from the stronger dollar and the overnight rise in Tokyo and share prices ended higher, in spite of the absence of overseas demand given the holidays elsewhere. The FAZ index rose 3.75 to 448.57.

The session saw large buy orders for Metallgesellschaft, up DM12 at DM327, and pharmaceuticals group Schering, DM19 higher at DM580.

The rise in the dollar to a fixing in Frankfurt of DM1.7264, its highest since last October 30, meant gains for exporters such as Daimler, up DM16 at DM601, and Porsche, which climbed DM14.80 to DM511.80. VW added DM6.80 to DM250.30 and BMW rose DM6.50 to DM510.

Bonds were fixed slightly lower in quiet trading, with the 6¼ per cent 1998 unit yielding 6.64 per cent.

PARIS was helped higher by improved investor confidence amid speculation that the French authorities might soon ease their credit policy, given the firmness of the French franc against the D-Mark.

The rise, with the Indicateur de Tendence up 1.1 at 121.9, was led by bank stock Société Générale, which rose FFr24, or 8 per cent, to FFr326.

Construction issue Bouygues, the subject of speculation about a possible management buy-out, added FFr5 to FFr985 after predicting 1988 profits in line with last year. Mail order group La Redoute put on FFr75 to FFr2,500 on news of a 25 per cent hike in annual earnings.

MILAN closed lower in extremely thin trading, hit by the closure of leading global stock markets. The MIB index fell 9 to 954.

Investors held back pending today's speech by Bank of Italy governor Mr Carlo Ciampi, in which he could give an indication about the prospects for the Italian economy.

Montedison, which held a joint weekend news conference with ENI on their plans for a joint chemicals venture, fell L15 to L1,470.

MADRID was pulled higher by banking stocks as merging banks Banesto and Banco Central returned to trading after being suspended for two weeks.

The general index added 4.13 to 276.52. Banesto was up 45 percentage points at 1,180 per cent of nominal market value, while Central gained 20 to 1,165 of par. Fellow banks Bilbao and Vizcaya each rose 70 to 1,520.

AMSTERDAM was buoyed late in the day by professional buying spurred by the stronger dollar, but trading remained quiet because of the holidays in the UK and the US.

Share prices closed mixed, with the ANP-CBS index, computed at midday, off 0.6 at 241.4. Internationals issue Royal Dutch rose Fl 1.80 to Fl 218.80.

ZURICH rose in quiet trading as the dollar climbed above SFr1.44, boosting internationals such as food group Nestlé and chemicals and pharmaceuticals company Ciba-Geigy. The Crédit Suisse index added 3.6 to 441.0.

Nestlé, bidding for Rowntree of the UK, saw its bearers rise SFr75 to SFr8,150, while bearers of rival bidder Jacobs Suchard lost SFr20 to SFr7,580. Ciba-Geigy bearers put on SFr10 to SFr2,990.

BRUSSELS was buoyed by overnight gains in Tokyo and finished firmer, with the cash market index up 8.78 at 4,659.87.

Steelmaker Cockerill continued to trade heavily, adding BFr4 to BFr191, with 39,000 shares changing hands after its recent forecast of a return to profit.

STOCKHOLM had an extremely quiet day, with the Affärsvärlden general index edging up 0.1 to 849.5. Aga reported improved interim profits and rose SKr1 to SKr199.

OSLO ended higher as investors ventured cautiously back to the bourse and the all share index rose 1.56 to 282.18.

● SOUTH AFRICA was barely changed amid little investor interest because of today's Republic Day holiday. The steady bullion price boosted gold issue Vaal Reefs R3 to R254.

TORONTO share prices were led higher in morning trading by rising gold stocks, which offset slight losses in other sectors. The midday composite index was up 10.56 at 3,183.63 in thin volume, with most active stock Royal Bank unchanged at C$27¾.

ASIA

Bargain hunting leads to sharp rise

Tokyo

BARGAIN hunting and demand for special situation stocks led to a sharply higher close in Tokyo yesterday, in spite of lingering concern over US interest rate trends, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 260.6 higher at 27,223.1 after moving between a high of 27,238.62 and a low of 26,961.82. Volume totalled 1.07bn shares compared with Friday's 1.4bn. Advances led declines by 492 to 398, with 153 issues unchanged.

Dealers and individual investors sought issues with specific incentives and those priced at less than Y1,000 to earn short-term capital gains. Buying interest was especially strong in companies planning to make use of idle property in connection with Tokyo Bay redevelopment projects.

Onoda Cement topped the actives list with 44m shares changing hands and jumped Y74, or 8 per cent, to Y999. Fujikura was the second busiest issue with 43m shares traded, soaring Y101, or 10 per cent, to Y1,090, while Mitsubishi Steel and Tokyotokeiba, the horse racing track operator, added Y300 and Y102 to Y2,210 and Y1,100 respectively. The three issues each scored maximum allowable single-day gains.

Nachi-Fujikoshi, Wakachiku Construction and Noritake also posted daily limit gains of Y220, Y200 and Y200, to Y1,420, Y1,600 and Y1,400 respectively. Japan Steel Works added Y53 to Y590.

Keisei Electric Railway jumped Y110 to Y1,160, bolstered by the good business performance of a subsidiary which operates Tokyo Disneyland. Sumitomo Heavy Industries rose Y20 to Y695 on its plan to develop a factory site into a marine leisure centre.

Large-capital stocks and high-technology issues saw early demand but their popularity fell rapidly later as buying shifted to medium- and low-priced stocks with specific incentives.

Nippon Kokan rose Y2 to Y405 and Kawasaki Heavy Industries Y5 to Y443, while Kawasaki Steel finished Y2 lower at Y410.

High-technology issues got off to a firm start, helped by small-lot buying, but later lost ground.

Matsushita Electric Industrial, which advanced Y40 at one stage, closed Y20 lower at Y2,500. NEC ended at Y2,060, unchanged from last week's close, after rising Y30 briefly.

Bond trading was lacklustre, reflecting investor concern about a possible rise in the US official discount rate.

Many dealers believe bond prices will move in a very narrow range throughout this week in the wait for news of the May US unemployment rate, due on Friday.

The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, ended at 4.695 per cent, up slightly from Saturday's 4.690 per cent.

On the Osaka Securites Exchange, late buying drove share prices higher, with the 250-issue OSE stock average adding 28.68 to 27,027.47. Volume was estimated at 80m shares.

Australia

CONTINUING demand for select industrial stocks offset early losses in the gold sector and equities ended little changed, with the All Ordinaries index 1.9 higher at 1,540.9.

Among gold stocks, Sons of Gwalia fell 30 cents to A$7.30 and Kidston was down 11 cents at A$3.95.

Hong Kong

UNCERTAINTY over the trend on Wall Street helped take share prices lower, with the Hang Seng index off 24.71 at 2,488.99.

The session saw light selling by local institutions and turnover was low at HK$580m against HK$726m on Friday.

Singapore was closed for a holiday

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange against four key currencies on Friday May 27 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)	COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate. Some data supplied by Bank of America.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Staid D-Mark loses out in the fashion stakes

BY COLIN MILLHAM

THIS IS a time of changing fashions on the foreign exchanges. Hem lines are going up, as the high yielding currencies gain favour, while the more maidenly units, such as the D-Mark, suffer from a mood of boredom with their staid character.

There does not appear to be anything fundamentally wrong with the West German currency. Growth in the Federal Republic is not spectacular, but steady, and the German trade surplus is likely to increase this year.

Money supply growth is above target, but this has been the case for some time, and does not seem to be causing any great problems with inflation.

It is more a matter of disenchantment with the general state of the market.

For many years the market has concentrated on the value of the dollar against the D-Mark and the yen. Economic fundamentals, including strong growth without inflation, will almost certainly keep the yen strong, but West Germany's economic performance is not quite good enough at present to maintain a strong level of demand for the D-Mark.

This has been partly the result of the success by central banks in preventing a further slide in the value of the dollar.

The US currency may have turned the corner - as yet it is too early to tell - but the dollar's performance has been much better so far this year.

The attitude of the major industrial nations, known as the Group of Seven, has suggested that central banks are prepared to intervene to stop the dollar weakening.

Whether the central banks have the muscle to prevent a determined onslaught by the market has not been tested. Against the background of firm US interest rates and continued strong economic growth there must now be some doubt whether the market has the inclination to take on the central banks.

The US trade and budget deficits remain a problem. The trade deficit improved sharply in March to $9.75bn, but is expected to widen again in April. It will be published on June 14, and present forecasts suggest a figure of about $13bn to $14bn.

If these forecasts prove correct it will produce a test for the dollar. Should it weaken, the market could look for a safe home in the D-Mark, but this would take a fundamental change of heart at present.

Sterling is regarded as a high yielding D-Mark, and if anything the political situation in the UK looks more stable than in West Germany. This keeps demand for the pound strong, even if the underlying trade position of the UK looks unfavourable.

In April the UK visible trade deficit widened to £1.125bn from £865m, and the current account shortfall to £525m from £285m, but this was widely expected, and the City breathed a sign of relief that the figures were no worse.

The pound improved against the D-Mark on the trade news.

Sterling has been very much in fashion lately, but over the last week was eclipsed by the stunningly attractive Australian dollar.

The Australian currency rose to its highest level for 40-months against the US dollar. The mini-budget from Canberra was well received. The major Australian banks raised their prime lending rates and Mr Paul Keating, the Government Treasurer, indicated that he favoured a strong currency to combat inflation.

Japanese investors were particularly taken with this new model from the southern hemisphere, and at one time were said to be obsessed with the Australian dollar.

£ IN NEW YORK

May 27	Latest	Previous Close
£ Spot	1.8550-1.8560	1.8620-1.8630
1 month	Par-0.01dis	Par-0.01dis
3 months	0.10-0.07pm	0.10-0.07pm
12 months	0.96-0.88pm	0.98-0.88pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 27	Previous
8.30 am	78.2	78.3
9.00 am	78.2	78.3
10.00 am	78.2	78.3
11.00 am	78.2	78.3
Noon	78.2	78.3
1.00 pm	78.2	78.3
2.00 pm	78.2	78.3
3.00 pm	78.2	78.3
4.00 pm	78.2	78.3

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

FORWARD RATES AGAINST STERLING

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5069	+2.47	+0.98	±1.5344
Danish Krone	7.85212	7.93579	+1.07	-0.42	±1.6404
German D-Mark	2.05853	2.08558	+1.31	-0.18	±1.0981
French Franc	6.90403	7.01258	+1.57	+0.08	±1.3674
Dutch Guilder	2.31943	2.33461	+0.65	-0.84	±1.5012
Irish Punt	0.768411	0.779272	+1.41	-0.08	±1.6684
Italian Lira	1483.58	1546.08	+4.21	+3.29	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.800	5.45	5.85	-	6.95	0.05	0.40	-	1.50
1.825	3.10	3.90	4.45	5.25	0.10	0.85	1.55	2.20
1.850	1.20	2.30	3.00	3.85	0.25	1.80	2.40	3.25
1.875	0.20	1.25	1.90	2.75	2.05	3.25	3.75	4.60
1.900	-	0.55	1.10	1.95	4.25	4.85	5.40	6.15
1.925	-	0.20	0.70	1.35	6.75	7.00	7.35	7.95
1.950	-	0.10	0.35	0.90	9.25	9.30	9.50	10.00

Previous day's open int. Calls 391 578 Puts 473 232
Previous day's volume. Calls 12 889 Puts 11,434

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.65	18.65	-	-	19.05	1.30	-	-	1.80
1.70	15.70	-	-	16.40	0.55	-	-	1.50
1.75	14.20	12.10	14.40	11.60	0.30	0.30	0.40	0.65
1.80	7.20	7.45	7.80	8.30	0.30	0.55	0.95	1.45
1.85	2.60	3.60	4.25	4.90	0.85	1.70	2.45	3.35
1.90	0.45	1.10	2.00	2.30	4.40	4.25	4.85	5.65
1.95	0.30	0.50	0.85	1.35	8.20	8.35	8.65	9.20

Estimated volume total, Calls N/A Puts N/A
Previous day's open int. Calls 610 Puts 654

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	559	619	7	23
92	405	443	17	47
94	239	318	40	122
96	116	211	128	215
98	36	122	248	326
100	13	50	425	454
102	6	27	618	631

Estimated volume total, Calls 1707 Puts 2391
Previous day's open int. Calls 14038 Puts 19095

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
78	644	622	16	50
80	463	456	35	120
82	329	339	101	203
84	205	237	144	301
86	110	190	246	414
88	41	111	413	539
90	21	48	557	712

Estimated volume total, Calls 143 Puts 0
Previous day's open int. Calls 2283 Puts 121

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
16000	1688	1834	8	44
16500	1214	1395	34	105
17000	791	1006	111	216
17500	453	683	273	393
18000	223	434	543	644
18500	93	257	913	967
19000	33	142	1353	1352

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 28 Puts 78

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Jun	0.6977	0.7009	0.6969	0.7039
Sep	0.7067	0.7099	0.7059	0.7130
Dec	0.7159	0.7190	0.7145	0.7222
Mar	0.7251	-	0.7265	0.7313

STANDARD & POORS 500 INDEX

$500 times index

	Close	High	Low	Prev.
Jun	253.50	254.60	252.30	255.60
Sep	255.25	256.20	254.00	257.35
Dec	257.00	257.70	255.85	259.00
Mar	258.50	-	257.50	260.40

BASE LENDING RATES

Bank	%
ABN Bank	7½
Adam & Company	7½
AAB - Allied Arab Bk	7½
Allied Irish Bank	7½
Henry Ansbacher	7½
ANZ Banking Group	7½
Associates Cap Corp	10
Authority Bank	7½
B & C Merchant Bank	7½
Banco de Bilbao	7½
Bank Hapoalim	7½
Bank Leumi (UK)	7½
Bank Credit & Comce	7½
Bank of Cyprus	7½
Bank of Ireland	7½
Bank of India	7½
Bank of Scotland	7½
Banque Belge Ltd	7½
Barclays Bank	7½
Benchmark Bank PLC	7½
Berliner Bank AG	7½
Brit Bk of Mid East	7½
● Brown Shipley	7½
Business Mtge Tst	8
CL Bank Nederland	7½
Central Capital	7½
● Charterhouse Bank	7½
Citibank NA	7½
City Merchants Bank	7½
Clydesdale Bank	7½
Comm. Bk N. East	7½
Co-operative Bank	*7½
Cyprus Popular Bk	8
Dunbar Bank PLC	7½
Duncan Lawrie	7½
Equatorial Bank plc	7½
Exeter Trust Ltd	8
Financial & Gen. Sec	8
First National Bank Plc	9
● Robert Fleming & Co.	7½
Robert Fraser & Ptnrs.	8½
Girobank	7½
Grindlays Bank	7½
● Guinness Mahon	7½
HFC Bank PLC	7½
● Hambros Bank	7½
Heritable & Gen Inv Bk	7½
● Hill Samuel	§7½
C. Hoare & Co.	7½
Hongkong & Shangh	7½
Lloyds Bank	7½
Meghraj Bank Ltd	7½
Midland Bank	7½
Mount Bnkg Corp.	7½
Nat Bk. of Kuwait	7½
NatWestminster	7½
Northern Bank Ltd	7½
Norwich Gen. Trust	7½
PK Finans. Intl(UK)	8½
Provincial Bank PLC	9
R. Raphael & Sons	7½
Roxburghe G'rantee	9½
Royal Bk of Scotland	7½
Royal Trust Bank	7½
Smith & Williman Secs.	7½
Standard Chartered	7½
TSB	7½
UDT Mortgage Exp	‡9.4
United Bk of Kuwait	7½
United Mizrahi Bank	7½
Unity Trust Bank Plc	7½
Western Trust	7½
Westpac Bank Corp.	7½
Whiteaway Laidlaw	8
Yorkshire Bank	7½

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MONEY MARKETS

Doubts surround another rate cut

STERLING SHRUGGED off the April UK trade figures. The size of the current account deficit was towards the top end of market estimates, but the market has become accustomed to volatility in this series, and was relieved the result was not worse.

The pound fell back before the trade news, but then surged upwards against the D-Mark, to close at DM3.1875 on Friday, the highest level since bank base rates were cut on May 17, and not far below a two-year peak.

Speculation increased last week that the Bank of England could be forced into another reduction in bank base rates. This was most obvious in the daily money market assistance provided by the authorities.

UK clearing bank base lending rate 7½ per cent from May 18

Much of the help was provided through bill repurchase agreements.

When interest rates are expected to fall the discount houses are reluctant to sell bills outright, because a cut in the Bank's dealing rate brings a higher capital profit on existing paper. It could be that the market is looking at the D-Mark rate in isolation however, while the authorities are likely to make a much wider view.

Sterling's rise against the D-Mark is mainly a product of general weakness in the German currency. The pound fell against the dollar on Friday, and on its exchange rate index.

Last week sterling's index was very steady, closing at 78.2 on Friday, compared with 78.3 seven days earlier.

If the pound pushes up above DM3.20, but this is only because the D-Mark is weakening in general, there must be considerable doubt whether the Bank of England will feel the need for another cut in base rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 27) 3 months US dollars		6 months US Dollars	
bid 7⅝	offer 7¾	bid 7 13/16	offer 7 15/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	May 27	May 20		May 27	May 20
Bills on offer	£100m	£100m	Top accepted rate of discount	7.1596%	7.1997%
Total of applications	£644m	£980m	Average rate of discount	7.1506%	7.1813%
Total allocated	£100m	£100m	Average yield	7.2804%	7.3122%
Minimum accepted bid	£98.215	£98.205	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	100%	19%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 27	change
LONDON		
Base rates	7½	Unch'd
7 day interbank	7½	-⅛
3-month interbank	7 13/16	+⅛
Treasury Bill Tender	7.1506	-0.0307
Band 1 Bills	7⅜	Unch'd
Band 2 Bills	7⅜	Unch'd
Band 3 Bills	7⅜	Unch'd
Band 4 Bills	7⅜	Unch'd
3 Mth. Treasury Bill	7¼	-⅛
1 Mth. Bank Bills	7⅜	-1/32
3 Mth. Bank Bills	7 13/32	Unch'd
TOKYO		
One month Bills	3.96875	Unch'd
Three month Bills	-	-
BRUSSELS		
One month	6¼	Unch'd
Three month	6¼	Unch'd
AMSTERDAM		
One month	3 11/16	-⅛
Three month	4 3/16	-⅛
NEW YORK		
Prime rates	9	Unch'd
Federal Funds	7 11/16	+3/16
3 Mth. Treasury Bills	6.69	+0.25
6 Mth. Treasury Bills	7.20	+0.30
3 Mth. CD	7.725	+0.300
FRANKFURT		
Lombard	4.50	Unch'd
One mth. Interbank	3.400	Unch'd
Three month	3.525	Unch'd
PARIS		
Intervention Rate	7.25	Unch'd
One mth. Interbank	7⅛	-⅛
Three month	7¼	-⅛
MILAN		
One month	11	Unch'd
Three month	11	Unch'd
DUBLIN		
One month	7⅜	-⅛
Three month	7⅜	-⅛

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	9	One month	5.67	Three year	8.45
Broker loan rate	8¾	Two month	6.24	Four year	8.65
Fed. funds	7¼-⅞	Three month	6.69	Five year	8.79
Fed. funds at intervention	7⅞	Six month	7.20	Seven year	9.07
		One year	7.64	10-year	9.26
		Two year	8.25	30-year	9.36

May 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.00-3.10	3.35-3.45	3.35-3.50	3.45-3.60	3.65-3.80	4.50
Paris	7⅛-7¼	7⅛-7½	7 3/16-7⅜	7½-7⅝	7⅝-7 13/16	7.25
Zurich	1⅛-1⅜	2⅛-2½	-	2½-2¾	-	-
Amsterdam	3 13/16-4⅛	3 13/16-4	-	4⅛-4¼	-	-
Tokyo	3.15625	3.96875	-	-	-	-
Milan	9¾-10¼	10⅜-11⅛	-	10¾-11¼	-	-
Brussels	6.60	6-6¼	-	6⅛-6⅜	-	-
Dublin	7¼-7½	7¼-7½	7¼-7½	7⅜-7½	7½-7¾	-

LONDON MONEY RATES

May 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8½	7½	7⅝	7 13/16	8⅛	8 15/32
Interbank Bid	6½	7¼	7½	7¾	8	8¼
Sterling CDs	-	-	7½	7¾	8 1/16	8⅜
Local Authority Deps.	7¼	7¼	7⅜	7⅝	8	8 9/32
Local Authority Bonds	-	-	7½	7 13/16	8⅛	8⅜
Discount Mkt Deps	7¼	7¼	7⅜	7¼	-	-
Company Deposits	7¼	7⅜	7⅜	7¾	8¼	8 13/32
Finance House Deposits	-	-	7½	7⅞	8⅛	8¼
Treasury Bills (Buy)	-	-	7¼	7¼	-	-
Bank Bills (Buy)	-	-	7¼	7 13/32	7 13/32	-
Fine Trade Bills (Buy)	-	-	7⅞	7 13/16	8 1/16	-
Dollar CDs	-	-	7.50-7.45	7.75-7.70	7.90-7.85	8.30-8.25
SDR Linked Dep Offer	-	-	5¾	6⅛	6¼	6 11/16
SDR Linked Dep Bid	-	-	5⅝	5 13/16	6⅛	6 7/16
ECU Linked Dep Offer	-	-	5¾	6⅛	6⅛	6 11/16
ECU Linked Dep Bid	-	-	5⅝	6	6 1/16	6 7/16

Treasury Bills (sell): one-month 7⅛ per cent; three months 7⅛ per cent; Bank Bills (sell): one-month 7 3/32 per cent; three months 7 3/32 per cent; Treasury Bills: Average tender rate of discount 7.1506 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1988. Agreed rates for period June 26, 1988 to July 25, 1988, Scheme I 9.37 p.c. Schemes II & III: 9.39 p.c. Reference rate for period April 30, 1988 to May 31, 1988, Scheme IV & V 8.114 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ from May 1, 1988: Bank Deposit Rates for sums at seven days notice 2 per cent. Certificates of Tax Deposit (Series 6), Deposit £100,000 and over held under one month 7½ per cent; one-three months 8¼ per cent; three-six months 8¼ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 6 per cent from May 17, 1988. Deposits withdrawn for cash 5.00 per cent.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY MAY 27 1988: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY MAY 26 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988 High	1988 Low	Year ago (approx)
Australia (88)	140.67	+3.4	112.37	115.97	3.84	136.11	108.31	113.52	140.67	91.16	132.69
Austria (16)	87.47	-0.5	69.87	77.97	2.62	87.89	69.94	77.95	98.18	84.35	86.34
Belgium (63)	120.02	-0.5	95.87	106.55	4.73	120.58	95.96	106.46	139.89	99.14	114.83
Canada (125)	115.52	-0.4	92.27	103.72	3.25	116.01	92.32	103.96	125.49	107.06	125.74
Denmark (38)	128.32	+0.7	102.50	114.01	2.77	127.47	101.45	113.01	128.32	99.03	115.48
Finland (25)	133.90	+0.5	106.96	113.72	1.85	133.20	106.00	112.97	133.90	102.78	–
France (121)	92.71	+0.5	74.06	84.06	3.85	92.23	73.40	83.22	92.71	72.77	113.02
West Germany (99)	74.43	+0.1	59.46	66.48	2.79	74.36	59.18	65.98	80.79	67.78	90.42
Hong Kong (46)	99.88	-0.3	79.78	100.22	4.56	100.15	79.70	100.48	105.83	89.01	114.65
Ireland (18)	128.44	-0.6	102.60	116.12	4.08	129.19	102.81	116.13	129.89	104.60	126.42
Italy (102)	69.15	-1.2	55.24	65.29	3.05	69.97	55.68	66.23	81.74	62.99	98.54
Japan (456)	168.11	-1.5	134.29	132.83	0.54	170.69	135.84	134.22	177.27	133.61	151.07
Malaysia (36)	136.11	-1.4	108.72	135.48	2.58	134.81	107.28	134.22	136.11	107.83	168.28
Mexico (14)	148.93	-1.5	118.96	372.39	1.34	151.15	120.29	377.95	176.90	90.07	185.67
Netherland (38)	101.55	-1.5	81.12	89.13	5.19	103.08	82.03	90.42	110.66	92.18	114.76
New Zealand (22)	81.44	+0.6	65.05	61.94	5.85	80.91	64.39	61.60	81.44	64.42	91.30
Norway (25)	119.36	+1.3	95.35	100.65	3.00	117.81	93.76	99.39	132.23	98.55	136.18
Singapore (26)	112.57	+1.1	89.92	104.64	2.37	111.31	88.58	103.47	114.93	97.99	139.21
South Africa (60)	130.11	-0.3	103.93	83.77	5.10	130.52	103.87	84.22	139.07	118.16	156.71
Spain (42)	150.17	-0.4	119.96	129.93	3.92	150.79	120.00	130.41	155.36	128.11	113.67
Sweden (36)	123.96	-0.8	99.02	109.00	2.60	124.42	99.00	109.52	124.78	104.47	112.98
Switzerland (55)	75.72	-0.4	60.48	67.41	2.53	76.03	60.51	67.12	86.75	75.60	93.30
United Kingdom (327)	137.75	-0.4	110.03	110.03	4.40	138.35	110.10	110.10	141.18	123.09	144.76
USA (579)	103.36	-0.4	82.57	103.36	3.78	103.82	82.62	103.82	110.51	99.19	119.82
Europe (1006)	106.99	-0.3	85.46	90.96	3.90	107.34	85.42	90.83	110.71	97.01	118.19
Pacific Basin (673)	164.36	-1.3	131.29	130.78	0.73	166.57	132.56	131.99	172.26	130.81	148.98
Euro-Pacific (1679)	141.03	-1.0	112.66	114.94	1.70	142.89	113.71	115.63	147.53	120.36	136.70
North America (704)	104.01	-0.4	83.08	103.40	3.75	104.47	83.14	103.88	111.28	99.78	119.18
Europe Ex. UK (679)	87.95	-0.2	70.26	78.76	3.43	88.16	70.16	78.72	92.81	80.27	101.71
Pacific Ex. Japan (217)	119.24	+2.0	95.26	105.02	4.06	116.96	93.08	103.70	119.24	87.51	123.47
World Ex. US (1878)	141.42	-1.0	112.97	118.35	1.78	142.84	113.68	119.60	146.49	120.26	136.56
World Ex. UK (2130)	125.09	-0.9	99.92	110.64	2.18	126.29	100.50	111.35	130.29	111.77	128.14
World Ex. So. Af. (2347)	126.09	-0.8	100.72	110.76	2.28	127.15	101.19	111.63	130.96	113.26	129.44
World Ex. Japan (2001)	105.97	-0.3	84.65	99.14	3.93	106.29	84.58	99.24	110.99	100.00	119.42
The World Index (2457)	126.12	-0.8	100.75	110.58	2.40	127.17	101.21	111.18	130.92	113.37	129.61

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Latest prices were unavailable for this edition
CONSTITUENT CHANGES Deletion: Croda Deld (U K) and Stevens (J P) (U S) Name change: Hepworth Ceramic to Hepworth (U K)

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 14,509

A=Ask B=Bid C=Call P=Put